



# ACCELERATING GROWTH

2021 ANNUAL REPORT

STATE STREET®

Whether we are helping investment companies operate more effectively, providing valuable market insights, launching innovative investment products, or acting sustainably, we are focused on cultivating collaborative partnerships.

As one of the world's largest servicers and managers of institutional assets, our success depends upon the success of our stakeholders — our clients, employees, investors, and the communities we serve. Our goal is to help these stakeholders realize the best possible outcomes for the future.

For more information, visit **statestreet.com**.

## ACCELERATING GROWTH

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## THE YEAR 2021 BEGAN AND ENDED IN AN ATMOSPHERE OF UNCERTAINTY.

From the persistent challenges of COVID-19 and the efforts of governments, researchers, and frontline health-care workers to contend with its emerging variants, to the impacts of extreme weather events, supply chain issues, and inflationary pressures that threaten the global recovery, 2021 proved to be a year rife with challenges.

Against this backdrop, State Street employees throughout the world stayed the course, adapting to new work environments and remaining focused on delivering for our clients, shareholders, and other stakeholders.

We continued to drive innovation across our business, partnering with our clients to understand, anticipate, and fulfill their needs; delivering strong and sustainable investment performance; achieving investment process efficiencies; transforming our infrastructure for the digital economy; and empowering clients with proprietary insights and market intelligence to help them make better decisions and, ultimately, provide enhanced outcomes for their own clients.

Regardless of the uncertainties of our world and its financial markets, State Street will continue to stay focused on accelerating growth for our clients and delivering long-term value to our shareholders and investors.

In the pages that follow, you will learn about State Street's performance and significant achievements from the past year.



**RONALD P. O'HANLEY**  
**Chairman and CEO**

# ACHIEVING OUR STRATEGY, DELIVERING ON OUR PURPOSE

April 5, 2022

As I write this letter, the Russian invasion of Ukraine is in its fifth week. The human toll of this war is staggering. One quarter of the overall population and more than half of Ukraine's children are displaced, many violently. Over 3.5 million Ukrainians have fled the country, generating a refugee crisis in Europe not seen since the late 1940s. Moreover, the post-World War II security framework that enabled 75 years of peace in Europe and propelled global prosperity is now uncertain.

What is certain is that the war and the associated economic sanctions on Russia will have economic and political effects for years to come. Inflationary and perhaps recessionary pressures are likely to increase as oil, food, and mineral supplies are disrupted. What next phase this conflict may enter also remains uncertain and potentially dangerous.

At the same time, perhaps we can be encouraged by the renewed leadership and sense of purpose exhibited by important institutions such as the EU and NATO. Most importantly, President Volodymyr Zelensky and the brave citizens of Ukraine have inspired all of us. They have reminded us of the value of freedom and democracy, and that these ideals are hard won. We also are humbled and inspired by the extraordinary acts of ordinary citizens in nearby countries, who spontaneously opened their doors and hearts to Ukrainians.

Notwithstanding the new uncertainties in front of us, State Street had been active in business continuity planning well before the invasion, preparing our operations, technology, and market activities and adding even more to our resilience posture. We have deepened our outreach and support to clients in connection with the crisis. We were prepared for the invasion and will continue to work closely with our clients, regulators, and market counterparties to navigate what is likely to be an extended period of uncertainty.

I cannot discuss the Ukraine crisis without recognizing the extraordinary actions of my State Street colleagues in Poland. We have approximately 6,400 employees in Poland, in Krakow and Gdansk. From the very first days of the invasion, our employees mobilized to help. They organized refugee relief and humanitarian supplies. Many have taken the time to travel to the border of Ukraine to help firsthand with the refugee crisis. Many have opened their homes to provide shelter. Across State Street, employees around the world have contributed significant sums to help out. I am awed by the many acts of kindness, some taken at personal risk, and I am very grateful to call each of these individuals my colleagues.

**OUR PURPOSE IS CLEAR:**

# To help create better outcomes for the world's investors and the people they serve.

While 2022 has begun with much uncertainty created by geopolitical conflict, 2021 proved to be another unprecedented year. With the world still gripped by the COVID-19 pandemic, vaccination rollout began early in 2021. However, the much-anticipated linear progress out of the health, economic, and social crises spawned by the pandemic never materialized. Virus variants and uneven vaccine distribution and take-up delayed the much anticipated “all clear,” and in turn drove further uncertainty and unrest over the recovery.

Many governments, including the United States, continued with extraordinary fiscal measures and accommodative monetary policies, which most likely avoided further economic disruption but also enabled inflationary pressures to take hold. Supply chain disruptions intensified, which, coupled with unprecedented turnover in the job market and labor shortages, triggered inflation rates in the developed world not seen since the 1980s.

Last year also saw continued changes in the ways in which we work and socially engage. While political polarization and civic unease across the United States, Europe, and Asia deepened the “trust gap” between citizens and governments, the recognition of environmental, social, and governance (ESG) issues as a critical lens through which to view long-term investing increased significantly.

Against this backdrop, State Street employees demonstrated continued resilience and resolve, delivering strong financial results for our shareholders. These results were driven by an unrelenting focus on our clients, continued execution against our multiyear strategy, a further evolution of our culture, and meaningful engagement with the communities in which we operate.

State Street's purpose is clear: *To help create better outcomes for the world's investors and the people they serve.* To realize that purpose, State Street focuses on two main businesses: investment servicing and asset management. While we are a firm with true global reach, our scope is narrow and deep, which requires uncompromised excellence in both of these businesses. We have a multiyear strategy designed to optimize and advance our competitive position within these two franchises, aimed at creating long-term value for our shareholders.

Our **Investment Servicing** business continued to bring leading solutions to some of the world's most sophisticated institutional investors in 2021 while deploying our enterprise outsourcing capabilities, underpinned by our integrated front-to-back State Street Alpha<sup>SM</sup> platform. In addition, we progressed making our end-to-end operating model more scalable and configurable, with designed-in resilience and controls.

And our agreement to acquire Brown Brothers Harriman Investor Services business (BBH), subject to regulatory approvals and other closing conditions, would create the world's largest custodian by assets and facilitate even greater adoption of our Alpha platform.

Our **Asset Management** business, State Street Global Advisors, propelled by strong investment performance and innovative products and solutions, had a year of many records, both business and financial. Its ambition to be a global scaled index and systematic investment manager, with strengths in indexing, cash, and select active and multi-asset capabilities, all underpinned by leading ESG capabilities, drove strong results for our clients and shareholders.

# \$2.7B

NET INCOME

# 10.7%

RETURN ON EQUITY (ROE)

## FULL-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

State Street delivered strong financial results in 2021, including record fee revenue, positive operating leverage, significant pretax margin expansion, and strong earnings growth, despite the backdrop of record low interest rates. Net income was \$2.7 billion in 2021, up 11% year-over-year. Full-year diluted earnings per share (EPS) was \$7.19, an increase of 14% over 2020, while return on equity (ROE) was 10.7%, up 70 basis points from 2020.

Assets under custody and/or administration (AUC/A) rose to a record \$43.7 trillion at year-end, up 13% year-over-year, reflecting higher market levels, client flows, and net new business growth.

Global Advisors assets under management (AUM) rose to a record \$4.1 trillion at year-end, up 19% year-over-year, driven by higher market levels and strong net inflows, primarily from exchange-traded funds (ETFs).

Notably, full-year servicing and management fees each reached the highest level on record in 2021, with total fee revenue increasing by 5% year-over-year and exceeding \$10 billion for the first time. Foreign Exchange (FX) trading services revenue decreased 11% year-over-year, primarily reflecting lower FX market volatility in 2021. Meanwhile, securities finance revenue increased 17% year-over-year, helped by higher client balances. Software and processing fees increased 7% year-over-year, aided by higher Charles River Development (CRD) revenues.

# \$43.7<sup>T</sup>

ASSETS UNDER CUSTODY AND/OR  
ADMINISTRATION (AUC/A)

# 5%

INCREASE IN TOTAL FEE  
REVENUE, EXCEEDING  
\$10 BILLION FOR THE  
FIRST TIME

Net interest income (NII) decreased 13% year-over-year, mainly driven by the impact of lower interest rates on investment portfolio yields, partially offset by higher loan and investment portfolio balances, as well as higher deposit levels.

CRD demonstrated strong revenue growth in 2021, with total standalone revenue<sup>1</sup> up 11% year-over-year, its second consecutive year of double-digit growth. CRD also demonstrated strong business momentum, with record bookings of \$62 million for the year.

While we delivered a strong revenue performance in 2021, expense management remained a key focus for us, with company-wide productivity and engineering efforts achieving approximately \$330 million of gross expense savings in 2021. Excluding notable items, total expenses increased just 1%<sup>2</sup> year-over-year as these efficiency savings helped to fund investments in our talent, technology, and business to drive future growth.

State Street maintained strong capital levels throughout the year, in part aided by the capital actions taken to finance the BBH Investor Services transaction, ending the year with a common equity tier 1 ratio of 14.3%.

Capital return remains a key part of our medium-term targets, and we recognize its importance to our shareholders. While we temporarily suspended common share repurchases in the third quarter of 2021 in connection with the BBH Investor Services acquisition, we increased State Street's quarterly common stock dividend by 10% in 2021.



**I am pleased with the strategic operational and financial progress we demonstrated in 2021. We meaningfully improved our full-year financial performance across a number of key metrics, creating value for our shareholders and advancing us toward our medium-term financial targets.**

## BUSINESS HIGHLIGHTS

### AN ENHANCED INVESTMENT SERVICES STRATEGY

Within the Investment Servicing business, we enhanced our core strategy, which, when combined with our strategic pivot to an enterprise outsourced solutions provider across the front, middle, and back office, manifested itself in stronger business momentum and revenue growth in 2021. Our end-to-end "One State Street" strategic approach is aimed at seamlessly bringing to clients the full breadth of our capabilities, underpinned by enhanced client relationship management. This improved approach leverages a new integrated, client-centric operating model across business segments, regions, and client management to drive more diversified and sustainable growth while also leveraging insights across client segments.

In September, we announced our intention to acquire the **Brown Brothers Harriman Investor Services** business. The combination is a financially compelling use of our capital that will help us achieve scale and strengthen our market leadership by creating the world's largest custodian. Consistent with our strategy, the acquisition will expand and deepen our presence in key non-U.S. markets, further propel our Alpha strategy and accelerate the platform's technology development, and add strong talent to our bench, all of which will supplement our focus on client service excellence.

Our **Global Markets** business expanded into additional Asian and emerging markets while continuing to develop creative solutions to address client needs. Its peer-to-peer repo program, launched in 2021, brings new sources of liquidity to markets in a capital efficient manner. Global Markets was named No. 1 in research and client satisfaction in a recent *Euromoney* survey.

In 2021, we continued to expand our **State Street Associates**<sup>®</sup> academic and market research arm, launching our proprietary Insights platform to provide clients with direct access to our findings and analytics. Its unique PriceStats<sup>®</sup> offering enjoyed high demand as inflation concerns grew throughout the year.

We secured nine new **State Street Alpha**<sup>SM</sup> client wins in 2021, with 19 Alpha clients signed since inception. Ten of those clients were live by year-end. Further, the Alpha Data Platform, our cloud-native data management solution, went live with its first client in 2021. We were pleased to have Alpha recognized by *Global Custodian* as "Front-to-Back Partnership of the Year" and as "Best Front-to-Back Office Integration."

Within our Investment Servicing business, we are continuously improving upon seamless end-to-end delivery for our clients while also helping them address their most pressing issues and opportunities. Private markets continue to grow rapidly, creating new servicing requirements, and our clients also face growing technology and operational challenges. Our July acquisition of private markets front-office software firm Mercatus and launch of a private markets portal on Alpha will enable institutional investors to fully manage the entire life cycle of their infrastructure, private equity, real estate, private debt, and fund of funds investments through a single fully integrated, digital, front-to-back platform.

**Charles River Development** continued to be a leader in front-office offerings for institutional investors. By year-end, 42 CRD clients had gone live on Microsoft Azure's strategic cloud solution, which provides greater security and agility, with plans underway to have approximately 175 clients migrated to the platform by 2023.

#### STATE STREET GLOBAL ADVISORS' EXCEPTIONAL RESULTS

**State Street Global Advisors** had an outstanding year in 2021, executing well against our long-term strategy and strategic investments in the business, and posting a number of records including revenues, assets under management, and ETF inflows. Importantly, State Street Global Advisors' full-year pretax margin expanded by more than 6 percentage points in 2021 to a record 32%, expanding the value of our investment management franchise to State Street's results.

Full-year 2021 management fees reached a record \$2.1 billion, up 9% year-over-year, driven by higher average equity markets and strong net flows of \$196 billion. Our SPDR ETF franchise enjoyed record inflows totaling \$107 billion as we gained U.S. ETF flow market share. U.S. active ETF AUM has almost tripled over the past two years and active ETFs continued to generate interest during the year, representing two-thirds of all U.S. ETF industry product launches in 2021; our SPDR Blackstone Senior Loan ETF had the highest net inflows of any U.S. active ETF last year.

## BUILDING THE DIGITAL RAILS OF THE FUTURE

Financial services is rapidly digitalizing, and digital assets are one of the most significant forces that will impact finance and the economy over the next five years. Digital assets are quickly becoming integrated into the existing framework of financial services. Thus, it is critical that we have the tools in place to provide our clients with solutions for both their traditional investment needs and their increased digital needs.

In 2021, we launched our **State Street Digital<sup>SM</sup>** business division designed to help institutional investors, their clients, regulators, and State Street itself transition to and succeed in the evolving digital economy. The new division will build on State Street's current digital capabilities and aims to include crypto, central bank digital currency, blockchain, and tokenization. Our proprietary GlobalLink technology platform is an integral component of State Street Digital and looks to expand into a digital multi-asset platform to support crypto and other asset classes.

Since launching last June, State Street Digital has secured several important client wins and demonstrated our ability to innovate in the digital asset space. For example, State Street worked with a client and technology partner to use distributed ledger technology (DLT) to tokenize an ETF and mutual fund. Elsewhere, in collaboration with Vanguard and Symbiont, we jointly completed the margin calculation process for a live trade of a foreign exchange forward contract through the use of Assembly, Symbiont's DLT, harnessing the benefits of the technology within this largely manual space.

For these efforts and more, last year State Street was recognized by *Asset Servicing Times* with its "2021 Industry Excellence Digital Asset Custody Initiative" award.

## CLIMATE AND INVESTMENT RISK

ESG, and climate in particular, dominated the investment and political spheres in 2021. Fueled by the U.N. Climate Change Conference (COP26) in Glasgow, Scotland, climate has become an increasingly important risk factor for investors.

State Street long ago recognized the importance of climate to our clients and has a track record of investment stewardship, product development, and engagement with clients, policymakers, and other stakeholders on climate matters. Our interest in the topic is not driven by our values, but rather by value to our clients. Put another way, climate is indisputably a risk consideration for investors, but it also creates opportunities for companies to mitigate that downside risk through innovation and to differentiate themselves from competitors as a result. Risk is the proposition that more things can happen than will happen. Therefore, it is incumbent on investors to consider, evaluate, and act on climate risk and incumbent on State Street to help our clients do so.

Why is this issue of such importance to our clients and therefore to State Street? If one considers our investors — such as mutual funds, pension funds, and sovereign wealth funds — all of them have long-term liabilities that extend over years and in some cases decades.

A world that may warm beyond what the best available science tells us is a critical tipping point is a scenario that poses financial risk to those investors and requires them to evaluate that risk and make decisions.

Given State Street's leading position in two businesses — investment servicing and investment management — our engagement and innovation around climate change issues covers the entire industry spectrum. We are therefore well-positioned to help our clients evaluate, implement, and measure climate strategies and broader ESG strategies as these become more compelling as an investment proposition.

State Street continued to lead on climate risk issues in 2021. As part of our "State Street Total ESG" offering, in 2021 we launched our Climate Solutions toolkit, which includes innovative analytics and measurement tools that allow clients to monitor climate-related risks, track net-zero commitments, and address new global regulatory reporting requirements. Our original research included a study that showed institutional investors have decarbonized their portfolios by approximately 30% since January 2019.

At the same time, we are concerned about oversimplification around what is an enormously complicated problem. Climate change is the world's first truly global problem. No comparative advantage is gained by one country doing something that does not form part of an optimal global solution. Achieving net-zero carbon emissions and stabilizing temperature increases will require a connected effort that brings together technology, know-how, policy, and efficient deployment of capital.

Given this requirement, State Street operates under two core beliefs: (1) divestment is seldom an effective tool; and (2) the energy transition is complicated and needs to be driven by facts and science.

Divestment has become a rallying cry of protesters and a seemingly easy fix for asset owners. Yet divestment by itself does not solve anything. Those holdings are bought by others or taken private and potentially out of public markets scrutiny. A far preferable option is using share ownership positions and their voting power to engage with portfolio companies to critically evaluate whether a company is taking sufficient steps to recognize and act on climate risk. Moreover, in many cases, the very same companies that are the usual targets of divestment, particularly energy companies, often possess the know-how that will be required to solve for an effective transition.

This leads to our second belief: The energy transition will be a complicated journey that will not lend itself to simple, straight-line solutions. The transition will require consideration of what solves this global problem as well as recognition that not all of the globe starts at the same point. Getting from high-carbon emissions to zero emissions may require passing through lower-carbon milestones such as natural gas.

In sum, our role at State Street is to help investors navigate through climate risk. We do so through data, analytic tools, research, and investment products. Like all investment-related risks, climate considerations consist of uncertainties. We eschew slogans and politics, preferring instead to focus on helping our clients create long-term value as they provide capital to the climate transition.



**Building on our myriad achievements from last year,  
2022 must be a year of continued and significant  
change and growth for State Street. We are redoubling  
our efforts on behalf of our clients and shareholders.  
We are determined to be the very best at what we do.**

#### LOOKING FORWARD TO 2022

I am pleased with the strategic operational and financial progress we demonstrated in 2021. We meaningfully improved our full-year financial performance across a number of key metrics, creating value for our shareholders and advancing us toward our medium-term financial targets. Looking ahead, I have four core strategic objectives for 2022, all tied to achieving our vision for the organization and to position the business for future success.

##### I. GROW REVENUE

We must continue to grow revenue by executing on a number of key strategic priorities in 2022, including completion of the pivot to an enterprise outsourcer underpinned by our Alpha platform build-out; continuing to develop key product offerings and capabilities, particularly for private markets; and further strengthening our sales and client management capabilities and processes.

That growth, however, occurs only if we become a true essential partner of choice to our clients by complementing their investment focus with — and demonstrating the value of — our supporting services. At Global Advisors, we will continue to deliver excellence in investment management and in the way we serve our clients to drive growth within our asset management franchise.

##### II. COMPLETE THE ACQUISITION OF BROWN BROTHERS HARRIMAN INVESTOR SERVICES

The successful completion, subject to regulatory approval, and integration of the BBH Investor Services acquisition is a key priority. The completion would add scale but, more important, capabilities and talent that will drive better client service quality. BBH Investor Services is a world-class organization that will build on and accelerate our strategy.

Following completion, the integration will be governed by a "client-first" approach designed to ensure we deliver well for our clients, which we are confident will drive better returns for shareholders.

### **III. CONTINUE TO TRANSFORM THE WAY WE WORK**

We are building upon the learnings from the past two years to increase operating model efficiency and resiliency, modernize technology, and deliver on risk management excellence. Meeting and exceeding supervisory and regulatory expectations around the globe is critical to our success, and we are focused on the increasing expectations of our clients and regulators — as well as our own high standards. To continue to drive increased productivity and efficiency throughout our organization, we must move toward a simplified, scalable, configurable end-to-end operating model.

This will allow us to deliver increased client quality, capacity, speed, and resilience. In doing so, we will continue to capitalize upon our cultural strength and the lessons in innovation and resilience we saw across our workforce in 2021. Living a culture of transformation means improving operations, boosting efficiency and resilience, and driving speed and scale.

A conversation around business transformation cannot occur without acknowledging how the pandemic has changed the way we live, work, and personally interact. In important ways, the COVID pandemic accelerated certain trends that were already occurring in our industry and others — namely, the further adoption of digital tools and platforms and hybrid and remote work. The technology works, and enables employees to find ways to be more productive while having increased flexibility. We embrace these changes and seek to maximize the opportunities they afford to both employee and employer — while also sustaining innovation, apprenticeship, and our culture.

# 38K

EMPLOYEES HAVE COMPLETED  
UNCONSCIOUS BIAS AND INCLUSIVE  
LEADERSHIP TRAINING

# 43%

INCREASE IN SUPPLIER  
DIVERSITY SPEND

#### IV. BUILD A HIGHER-PERFORMING ORGANIZATION

We will continue to foster a high-performance culture and a continuously improving employee experience, which will sustain a dynamic, diverse, engaged, and empowered team with the skills, capabilities, and desired behaviors required for future growth. This goal places a special focus on how we are able to enhance productivity and foster a more dynamic culture.

A higher-performing organization by definition means one that is committed to inclusion, diversity, and equity (ID&E). State Street has long believed that ID&E is critical to business success, and through our 10 Actions Against Racism and Inequality we are driving more urgency and results around these vital issues. I am proud to say that by year-end 2021 more than 38,000 of our employees completed unconscious bias and inclusive leadership training.

During the year, we also partnered with the Conference for Women and *The Boston Globe* to launch a “Justice, Equity, and Inclusion” quarterly series, executed on our MLT Black Equity at Work certification plan, and announced an independent civil rights audit.

Importantly, our ID&E efforts extend to our ecosystem. In 2021, our supplier diversity program, which encourages our direct suppliers to procure from diverse businesses, increased the 2021 total of direct supplier diversity spend by 43% year-over-year. In addition, our Global Treasury established underwriting relationships with nine minority-owned firms, issuing \$1.35 billion of bonds in 2021 that were approximately 50% underwritten by minority-, women-, and veteran-owned firms.

High-performing organizations also recognize the role they play in the communities in which they work. Among our key charitable highlights for 2021 is State Street's commitment to Early College programs, an initiative that allows primarily low-income high school students of color to complement their studies with tailored college-level coursework that is offered at no cost to the student. In addition, related to our 10 Actions initiative, State Street Foundation has taken steps to incorporate racial equity as a priority in our corporate philanthropic arm's grantmaking criteria.

#### ACCELERATING GROWTH AND BEING THE BEST

I am proud of what we accomplished for our shareholders in 2021, including stronger financial performance, successful execution against sales effectiveness and client retention goals, and announcing the proposed acquisition of BBH.

We demonstrated meaningful progress toward achieving our medium-term targets while delivering value to our clients and shareholders.

Though the challenges faced by our industry and our world are very real and sometimes daunting, looking back on all we accomplished in 2021, I am filled with a sense of gratitude. To the scientists, pharmaceutical companies, and health and government agencies that successfully delivered COVID vaccines with near-miraculous speed. To our global colleagues who adapted with grace and dexterity to new, flexible hybrid work models and went above and beyond each day during inconstant circumstances. To our clients for partnering with and placing their trust in us. To our communities, vendors, and philanthropic partners who ground us in the daily realities of where we live and do business. To a diverse and independent board of directors that through its thoughtful guidance and diligent oversight helps to ensure that every decision we make encourages us to deliver on our purpose.



**The theme of this year's annual report is Accelerating Growth. In practice, that phrase reflects State Street's relentless focus on innovation, leadership, and decisive action, which will transform our business and our industry for the benefit of all of our stakeholders.**

And I am grateful to you, our shareholders, who see the value of all that State Street brings and have joined us on our purpose-driven journey.

Building on our myriad achievements from last year, 2022 must be a year of continued and significant change and growth for State Street. We are redoubling our efforts on behalf of our clients and shareholders. We are determined to be the very best at what we do. This ambition is large and within reach. From continuing to operationalize our front-to-back Alpha platform, to our planned integration of BBH Investor Services, to advancing State Street Digital's ambitious agenda, to our asset management business continuing to achieve strong performance and results while using its voice and its vote to drive value for clients, State Street is fulfilling its vision. As we build toward becoming the biggest and best custodian in the world, we are not only delivering on our strategy but helping to shape the future of securities services.

Being the best and accelerating our growth is only possible with a strong team of talented and diverse employees underpinned by a strong and enduring culture. As we continue our journey toward being the best, we will continue to strengthen our culture of accountability, performance, client collaboration, and inclusion. Achieving this requires an ongoing commitment to the development of talent for today and for the long term. I am joined in this goal by a strong and experienced executive team, which continues to build out talent throughout our organization. The board of directors and I will continue to shape the team and ensure that we have the human capital required to be the best.

The theme of this year's annual report is Accelerating Growth. In practice, that phrase reflects State Street's relentless focus on innovation, leadership, and decisive action, which will transform our business and our industry for the benefit of all of our stakeholders.

Accelerating growth means helping to position our clients for success by enabling them to work better, smarter, and faster than ever before, so that they might deliver on their own future visions. Accelerating growth means continuing to lead on ESG issues for the benefit of our clients. It means pursuing ID&E goals to fuel our business strategy — creating value for our clients and shareholders by bringing different perspectives and innovative ideas to bear on our work, making our business more competitive, and fostering a more vibrant workforce and culture in an increasingly competitive talent market.

Finally, accelerating growth is a message directly to you, our shareholders, that speaks to demonstrable progress State Street is making toward fulfilling our multiyear strategy and delivering on the promise of our purpose.

*To help create better outcomes for the world's investors and the people they serve* is the reason we do this work, and that is what accelerating growth looks like. Our desire to meet and exceed these expectations will never be satisfied.

We thank you for your continued partnership and trust.



RONALD P. O'HANLEY

Chairman and CEO

## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements as defined by U.S. securities laws. These statements are not guarantees of future performance, are inherently uncertain, are based on assumptions that are difficult to predict and have a number of risks and uncertainties. Further, they speak only as of the time this annual report is first published, and State Street does not undertake efforts to revise forward-looking statements. Refer to Item 1A of the Form 10-K included within this annual report for details.

## END NOTES

<sup>1</sup> For 2021, CRD standalone revenue was \$509M including \$62M of revenue associated with affiliates, including SSGA, that is eliminated in consolidation for financial reporting purposes. On a consolidated basis, CRD revenue contributed \$448M, including \$435M in Software and processing fees and \$13M in FX trading services; revenue line items may not sum to total due to rounding.

<sup>2</sup> Results excluding notable items are non-GAAP measures. Refer to the reconciliation of non-GAAP financial information below. In addition to presenting State Street's financial results in conformity with U.S. generally accepted accounting principles, or GAAP, management also presents certain financial information on a basis that excludes or adjusts one or more items from GAAP. This latter basis is a non-GAAP presentation. In general, our non-GAAP financial results adjust selected GAAP-basis financial results to exclude the impact of revenue and expenses outside of State Street's normal course of business or other notable items, such as acquisition and restructuring charges, repositioning charges, gains/losses on sales. For example, we sometimes present expenses on a basis we may refer to as "expenses ex-notable items," which exclude notable items. Management believes that this presentation of financial information facilitates an investor's further understanding and analysis of State Street's financial performance and trends with respect to State Street's business operations from period to period, including providing additional insight into our underlying margin and profitability. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in conformity with GAAP.

## 2021 RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

	YEAR-TO-DATE		% CHANGE
(Dollars in millions)	2020	2021	2021 VS. 2020
<b>EXPENSES</b>			
Total expenses, GAAP-basis			
Total expenses, GAAP-basis	\$8,716	\$8,889	2.0%
Less: Notable expense items:			
Acquisition and restructuring costs	(50)	(65)	30.0
Repositioning (charges) / release	(133)	3	nm
Deferred incentive compensation expense acceleration <sup>(1)</sup>	-	(147)	nm
Legal and other	9	(18)	nm
<b>Total expenses, excluding notable items</b>	<b>\$8,542</b>	<b>\$8,662</b>	<b>1.4</b>

<sup>(1)</sup>Amount in 2021 reflects \$142 million related to the acceleration of expenses associated with certain cash settled deferred incentive compensation awards and \$5 million related to employee benefits.

'nm' denotes not meaningful



**DAME AMELIA CHILCOTT FAWCETT**

**Independent Lead Director**

# TO MY FELLOW SHAREHOLDERS

April 5, 2022

State Street experienced a year of boldness, confidence, and momentum in 2021.

Leadership and management teams continued to execute with excellence and nimbleness against our differentiated strategy, which is helping State Street win in key areas across our franchise and positioning the business for future success. The company is energized and inspired by all that we achieved together last year, while at the same time prudent and methodical in our approach, holding as a beacon what is best for the long-term creation of shareholder value.

Strategy counts for very little if it is not met with relentless execution, which is not possible without exceptional people. I could not be prouder of the leadership, teams, and individual employees who executed with such determination and consistency to make 2021 a remarkable year for State Street.

It has been my privilege to serve as Lead Director and together with my fellow board members to provide independent counsel from diverse perspectives to progress our strategy; oversee operations, risk, and control with rigor; and hold management accountable for outcomes.

These duties apply equally to evaluating some of the most important strategic opportunities State Street faces and to lending support by empowering management to think about State Street in dynamic and progressive ways that help the company accomplish its goals in a measured way.

Last year was one of strong achievements and business highlights aligned with this path. These include the realization of a more geographic-focused and client-centric approach for Investment Servicing, the continued development of our State Street Alpha<sup>SM</sup> platform, a record year at State Street Global Advisors, and the launch of our State Street Digital<sup>SM</sup> division.

September saw the announcement of our agreement to acquire Brown Brothers Harriman Investor Services, subject to regulatory approvals and other closing conditions, a financially compelling use of capital for the long-term benefit of our shareholders that would create the world's largest custodian (by assets). The board met regularly with the management team to evaluate this transaction, weighing its strategic significance in terms of how it would enhance scale and strengthen State Street's market leadership.



**Ours is a board rich in diversity of skills and backgrounds, as well as depth and breadth of individual experience and expertise. As a group we are passionately united in our commitment to helping State Street become the best at what we do in our industry and deliver on its purpose.**

As State Street continues to deliver on its strategic growth agenda, I would like to underscore the global nature of our business. Building upon our Boston-based trust bank heritage, State Street has expanded internationally over the decades; our clients have global as well as local needs, and our in-market presence is targeted to meet those needs. Looking ahead, some of the strongest opportunities State Street has are geographic, where we can continue to broaden and deepen global client relationships and impact.

Ours is a board rich in diversity of skills and backgrounds, as well as depth and breadth of individual experience and expertise. As a group we are passionately united in our commitment to helping State Street become the best at what we do in our industry and deliver on its purpose: *To help create better outcomes for the world's investors and the people they serve.* Looking to 2022 and beyond, the board is well positioned to continue our important work together with the management team to maintain State Street on this course.

To further these efforts, in March 2022, the board welcomed as its newest member, DonnaLee DeMaio, who most recently served as the global chief operating officer of AIG. DonnaLee adds to the board's expertise in the financial services industry, and brings experience in audit and regulatory risk management.

Looking back on all that State Street accomplished in 2021, I wish to acknowledge again the strength, perseverance, and wisdom of the company leadership, management teams, and employees around the world. I also am grateful to you, our shareholders, for your continued trust in and commitment to our organization.



**AMELIA C. FAWCETT**  
Independent Lead Director



ACCELERATING GROWTH

# BUSINESS REVIEW

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**FRANCISCO ARISTEGUIETA**  
**EVP, CEO, Institutional Services**

PARTNERSHIP IS PARAMOUNT

# DELIVERING ENHANCED CLIENT OUTCOMES

Serving institutional clients across the front, middle, and back office through custody and related value-add products, the Institutional Services group drives sustainable growth for our company and our clients across segments and regions.

We empower our clients with market-leading differentiated solutions and thought leadership that help them make better investment decisions, streamline their operating models, and manage their cash and assets more efficiently. We build long-lasting partnerships with our clients in which we co-design, co-invest, and innovate together to help them not only succeed in today's environment, but also thrive in the markets of the future.



**Our focus on enhancing the solutions and services we provide to our clients helped us achieve record sales and exceed aggressive revenue targets in 2021.**



**We expanded our relationship coverage model and focused our thought leadership to deliver more impact, deeper insights, and industry best practices. The trust we build by listening to clients drives value for both parties.**

**JULIO ESTEVEZ-BRETON**

SVP, Chief Experience Officer

## EXCEEDING PERFORMANCE GOALS

Over the past year, we strengthened the leadership of our client segments and sharpened our focus on enhancing the client experience, establishing a team dedicated to understanding and improving client sentiment across the firm. We re-architected our client relationship model and redefined the country head roles.

As a result, in 2021, we achieved record servicing wins of \$3.5 trillion, with \$2.8 trillion of that business to be installed in future periods. We also generated record servicing fees of \$5.5 billion, up 7 percent year-over-year. Our success was driven by growth within our Asset Managers, Alternatives, Insurance, and Official Institutions segments.

## PUTTING OUR CLIENTS FIRST

Throughout 2021, we continued strengthening our operating structure and transforming our client management model to improve client sentiment and drive sustainable wallet share and revenue growth.

To that end, we progressed our evolution from a siloed coverage structure to a fully integrated client management model. Through our "One State Street" approach, we deliver leading insights and a consistent, superlative client experience wherein complexity is reduced, and proactivity is increased, while also bringing to bear our on-the-ground regional knowledge and expertise.

  
**\$3.5<sub>T</sub>**

2021 SERVICING WINS

**\$5.5<sub>B</sub>**

2021 SERVICING FEES

Our enhanced service model combines highly disciplined relationship management with a more targeted and data-driven experience focused on improving outcomes and sentiment. Success is achieved by systematically measuring client satisfaction and using insights from that data to both anticipate our clients' needs and inform product, technology, and operations investment decisions that help solve our clients' most complex business challenges.

This new model is designed to accelerate pipeline growth and increase new business wins across segments, clients, and geographies with clear accountability on our team's execution.

#### STRENGTHENING OUR CORE BUSINESS

Our progress in 2021 included strategic product innovations designed to strengthen our value proposition across our core asset servicing business that provides comprehensive front-, middle-, and back-office solutions.

We remain at the forefront of developments in exchange traded fund (ETF) markets around the world, leveraging our expertise, consultative approach, and integrated technology to meet clients' expanding ETF servicing needs. For example, in 2021, we were appointed by Harbor Capital Advisors, Inc. to support the launch of their first actively managed, fully transparent fixed income ETFs.

## GLOBAL CLIENT MANAGEMENT MODEL

This 'One State Street' model is designed to accelerate pipeline growth and increase business wins across segments, clients and geographies with clear accountability on our team's execution.

### CLIENT SEGMENTS

Asset Owners • Asset Managers • Official Institutions • Alternatives • Insurance



### REGIONS

North America • EMEA • APAC • LatAm



**Supporting our strategic growth goals in Latin America, in 2021 we strengthened our team with several notable additions and are moving forward with plans to open offices in Mexico, Colombia, and Chile in 2022, further demonstrating our commitment to clients in the region.**

**MARCÍA ROTHSCHILD**

Managing Director, Head of Latin America

We were also named servicing agent for a new dual access ETF launched by AllianceBernstein in Australia. The dual access structure enables active managers to run a single register for unlisted and listed investments, for greater operational and investment efficiencies.

To better support our clients' alternative investment needs, we launched our front-to-back private markets solution in July, allowing institutional investors to manage the entire life cycle of their infrastructure, private equity, real estate, private debt, and fund of funds investments through a fully integrated single platform. This solution provides whole portfolio exposure to managers investing in both public and private markets.

As digital assets become increasingly integrated into the financial services framework, we launched our State Street Digital<sup>SM</sup> division dedicated to providing our clients with the infrastructure, insights, and operating model to support their digital investing goals.

#### PARTNERING FOR GROWTH

In 2021, we continued to forge strategic partnerships to help our clients achieve their growth ambitions and generate sustainable long-term value for our investors. In April, we expanded our relationship with M&G Corporate Services Limited to provide them with outsourced middle-office services.



**As we celebrate 40 years in Asia Pacific,  
we're poised to become a growth  
accelerator for clients, helping them  
leverage the region's vitality and diversity.**

**MOSTAPHA TAHIRI**

EVP, Head of Asia Pacific

# 40 YRS

SERVICING CLIENTS  
IN ASIA PACIFIC

The agreement builds on a 10-year strategic partnership with M&G in which we extended our current fund accounting and custody services for their wholesale fund ranges to provide middle-office services, including portfolio services, reference data, cash reporting, transaction management, asset servicing, and recordkeeping.

This initiative exemplifies one of the many ways we are helping asset managers remain focused on their investment process, lower their costs, improve efficiency, and deliver desired investment outcomes.

Furthering our commitment to supporting clients with our comprehensive suite of environmental, social and governance (ESG) services, we launched a strategic engagement with S&P Global Trucost that combines the power of State Street's ESG risk analytics and reporting capabilities with Trucost's climate data and analytics. Through this innovation, we are providing clients with access to carbon footprint and other environmental data mapped to their portfolios, as well as Task Force on Climate-related Financial Disclosure (TCFD) reporting features to help them navigate the challenges of the ever-shifting global ESG regulatory landscape.

In July, we formed a new strategic alliance with First Abu Dhabi Bank, the largest bank in the United Arab Emirates. The alliance creates a full-service enterprise offering for institutional investors located in the Middle East and North Africa, and those who invest in the region. Clients are looking for financially secure and operationally resilient partners who can manage the non-core elements of their business, and help them achieve operational efficiencies, reduce costs, mitigate risks, and navigate complex regulations.

They are also eager to access global best practices and scale from a partner who understands the local business environment. By leveraging the best of both global and regional expertise offered through this collaboration, we provide a truly customized and flexible service model that proactively drives innovative solutions to meet our clients' needs.

## GENERATING LONG-TERM VALUE

Our clients have faced significant challenges during the past two years. The pandemic has been a catalyst, leading the entire industry to reassess its operational efficiency, resilience, and business relationships. Decisions that were postponed in the first year of the pandemic are now being accelerated. Through ongoing, in-depth conversations with our clients, we know that they want long-term partnerships to help them be more resilient and competitive and respond more effectively to their priorities.

We will continue to sharpen our focus on delivering long-term value for our clients and investors in 2022 and beyond. Our strategic focus for the future includes refining our solutions to meet increasing client demands around ESG, private markets, enhanced data aggregation and reporting, and efficient operating models.

Understanding that our success is driven by serving as a trusted strategic partner to our clients, and by providing them with the innovative solutions they need, we will continue to implement our integrated client management model across business segments and regions to drive more diversified and sustainable growth for our clients and our company.



**LOU MAIURI**  
**EVP, Chief Operating Officer**

# FUELING GROWTH STRATEGIES ACROSS THE INVESTMENT LIFE CYCLE

State Street Alpha<sup>SM</sup> is the first front-to-back asset servicing platform from a single provider for institutional and wealth management firms. Alpha helps our clients manage their investment products and business lines in one place, and is at the center of our strategy. It starts with our purpose, which is to help investors around the world create better outcomes for themselves and the people they serve, and to do so with the inherent value State Street delivers as a trust bank and custodian to our clients.

In 2021, we continued to create better and deeper ways to partner with our clients and broaden our relationships, supporting their front-, middle-, and back-office needs, and providing them easy access to aggregated data, analytics, and real-time insights, so they can collaborate with confidence, work faster, and make better decisions. By outsourcing technology and operations to a strategic partner with deep expertise and global scale, our clients can remain focused on serving their clients and achieving their business goals.



**With Alpha, we're redefining how the industry services institutional investors and wealth managers.**

**9**

NEW CLIENT MANDATES

**19**ALPHA CLIENTS  
AT YEAR-END**DRIVING PERFORMANCE  
AND GROWTH**

Alpha was instrumental in driving enterprise-wide growth and revenue through a strong cross-product, new business pipeline and broader market adoption in 2021. With nine new client mandates announced in 2021, as of year-end we had 19 Alpha clients, 10 of which were already live on the platform.

Alpha was also recognized with multiple industry accolades during the year, including "Best Front-to-Back Office Integration" by *WatersTechnology Asia Awards*; "Investment Excellence in Tech Innovation" by *Global Investor Group*, and "Front-to-Back Partnership of the Year" by *Global Custodian*.

As part of our front-office capabilities with Charles River Development, we accelerated software-as-a-service (SaaS) conversions with the adoption of new modules and migration to Microsoft Azure, increasing annual recurring revenue and reducing costs associated with migrating to the cloud.

Our growth focused on new asset classes like private market investments, as well as new partners, distribution vehicles, jurisdictions, and clients — driven by enhanced capabilities, innovative technology, and greater operating efficiencies.



**2021 was a pivotal year for State Street Alpha, as leading investment managers around the world committed to underpin their growth strategies with our cloud-based, enterprise outsourcing platform.**

**JOHN PLANSKY**

EVP, Head of State Street Alpha<sup>SM</sup>

## STREAMLINING THE DATA ENVIRONMENT

Data is central to helping investment and wealth managers make better decisions, meet regulatory obligations, and serve their investors. In 2021, we continued to expand our Alpha Data Platform to help clients capture and leverage the growing volume, velocity, and variety of data available.

The Alpha Data Platform speeds time to insight by providing a centralized, single source of truth across the enterprise. Our scalable data cloud captures the breadth and depth of data generated across both the client's organization and external sources.

The platform also eases the friction resulting from the extensive data movement within the industry, which requires frequent reconciliation. It leverages technology and content from industry innovators like Snowflake and Microsoft Azure, providing a simplified, cloud-enabled approach to data management.

We help clients capture and curate data across the investment process, from portfolio management to post-trade operations, and enhance it with data from hundreds of third-party providers. This empowers investment and operations teams with trusted, accurate data that helps drive new insights and efficiencies.

# 20 YRS

OF INSTITUTIONAL KNOWLEDGE  
ACROSS ALTERNATIVES SERVICING

## ALPHA FOR PRIVATE MARKETS

Converging business models, and diversification into different asset classes and geographies, have increased the complexity of portfolios and capital acceleration into private markets. Technology is a critical factor helping the modern investment manager simplify day-to-day operations and provide a holistic view of a fund's life cycle while stripping out complexities.

During the year, we launched State Street Alpha<sup>SM</sup> for Private Markets, which we expect will increase our market share in what is already a fast-growing servicing segment for State Street.

The new solution is enabled by our July acquisition of Mercatus, a premier front- and middle-office solutions and data management provider for private market managers.

For our clients turning to private markets in pursuit of greater diversification and higher risk-adjusted returns, Alpha for Private Markets harmonizes data and provides a complete view of the investment life cycle. With scalability and flexibility at its core, it enables investment centralization, rapid response to investor demands, and the capabilities needed for tomorrow's growth.

Integrated and interoperable, Alpha for Private Markets provides a unified portfolio view of both public and private assets. One office, total transparency, better investment decisions — all delivered on a single platform.



**Charles River's model of client engagement based on partnership and innovation has fueled the demand for our superior front-office technology and supports the growing number of Alpha clients.**

**CAROLINE O'SHAUGHNESSY**

SVP, Head of Charles River Development in EMEA

## LOOKING AHEAD

By providing our clients with the tools they need to better leverage their data and make data-informed decisions in real time, Alpha is poised to continue fueling growth for our entire enterprise, our clients, and those they serve.

As we look forward to 2022 and beyond, we will continue to expand Alpha's capabilities to meet the evolving needs of our clients with a focus on delivering valuable insights, services, and technology to uncover new levels of interoperability, scale, flexibility, and accelerated growth.



**ANN FOGARTY**  
**EVP, Head of Global Delivery**

**ADVANCING OUR GLOBAL OPERATING MODEL**

# BUILDING SCALE AND RESILIENCE

State Street's Global Delivery group manages the organization's custody, accounting, alternatives, middle-office, transfer agency, and client service operations. From our offices around the world, our team of approximately 20,000 employees seamlessly delivers integrated solutions that help clients enter new markets, find additional sources of growth and innovation, better leverage increasing volumes of data, and meet regulatory obligations.

In 2021, we further enhanced and simplified our end-to-end operating model to support our resiliency and business growth, increasing operational efficiency while maintaining a robust risk management protocol.

We focused on simplification to improve the scalability and configurability of our operating environment and made significant progress in further digitizing our process flows, enhancing our control environment, introducing new cybersecurity risk mitigation measures, and implementing additional data and operational safeguards.



**Our ability to deploy technology to create scale while maintaining client centricity is one of our key differentiators.**



**Protecting our clients' data is a top priority. Through the strong partnership we have developed across our Global Delivery and Cyber organizations, we are able to quickly adopt new controls and safeguards seamlessly into our service delivery structure.**

**LIZ JOYCE**

EVP, Chief Information Security Officer

## STRENGTHENING OUR CAPABILITIES

Technology and cyber are critical pillars of our Global Delivery operations, providing a strong foundation for our multiple processing centers around the world.

In 2021, we expanded our Global Technology and Cyber teams, adding seasoned experts in core competencies including cybersecurity, cloud engineering, and global payments, to strengthen our capabilities and boost our technology execution capacity.

Throughout the year, we continued to embed additional multilayered defenses to minimize risk, protect sensitive data, and meet compliance obligations. We enhanced our framework to deliver controlled, intelligence-led cybersecurity tests and progressed our resiliency programs.

We also established a new production management function and enhanced our business continuity capabilities for applications supporting our most critical business services.

  
**17K**

FUNDS WITH ACCESS TO  
ENHANCED PREDICTIVE  
BENCHMARKS FOR NAVS

**\$10M**

SAVED FROM NAV  
AUTOMATION

#### ADVANCING PROCESS AUTOMATION

Automation continued to deliver strong benefits in key areas of Global Delivery. Notably, our efforts to leverage artificial intelligence (AI) and machine learning have helped us create enhanced predictive benchmarks of net asset value (NAV) performance, which is now available for more than 17,000 funds.

NAV automation saved approximately \$10 million over the past year through increased adoption of the driverless NAV initiative, an end-to-end automation of the NAV production and dissemination process that is foundational to supporting key Global Delivery objectives.

Recently deployed application programming interfaces (APIs) reduced manual touches to increase straight-through year-over-year processing rates for transactions and derivatives from 96 percent to 97 percent, and from 82 percent to 86 percent, respectively. And we are more than midway through our journey to deploy this fully automated NAV calculation and reporting process, which we expect to be complete by the end of 2023.

This initiative has been especially successful with Europe, the Middle East and Africa (EMEA) funds. The number of EMEA-domiciled daily funds on end-to-end NAV automation doubled from approximately 30 percent in 2020 to approximately 60 percent in 2021.



**As a technology-forward financial institution, State Street is focused on continuous digital transformation to deliver the financial infrastructure of the future to our clients and to the market.**

**BRIAN FRANZ**

EVP, Global Chief Information Officer



Additionally, we have experienced a 25 percent alert reduction year-over-year globally through increased automation, inclusive of AI.

#### DRIVING GREATER EFFICIENCIES

Advances in the way we leverage digital and other technologies to streamline our business unlocked efficiencies and reduced operating costs, helping to drive the operations- and technology-related savings of approximately \$200 million in 2021 — savings that can be reinvested and redeployed to fuel other growth-enhancing capabilities.

In 2021, we simplified our operating model by deploying a more resilient, automated environment to drive client quality and productivity, with an agile footprint that enables rapid enhancement and standardization.

These innovations bolstered productivity levels, increasing our capacity to serve clients more efficiently and grow margins.

We continued to operate an advanced technology network designed to foster resiliency and productivity, enable timely innovation, and drive IT costs down as a percentage of revenue. By embedding a division-wide productivity mindset and measuring individual productivity performance for approximately 10,000 employees, we continued to unlock capacity across the entire organization in 2021.

---

**6**

PROCESSING CENTERS  
GLOBALLY

**\$200M**

TOTAL OPERATIONS AND  
TECHNOLOGY-RELATED SAVINGS

#### DESIGNING A STATE- OF-THE-ART WORKPLACE

The COVID-19 pandemic has spurred us to transform the way we work — now and in the future. To lead this journey, we stood up a dedicated team to design and implement our return-to-office plans and future workplace initiatives. Fundamentally, these efforts have been focused on improving the employee experience while maintaining our high level of business continuity and client service quality.

With the goal of exhibiting industry leadership in flexible work, we are redefining flexibility across our company. Enabled by a “mobile-first” technology strategy, we have established four core levers within our organization to lean in on flexibility — culture, learning and development, benefits and policy design, and workplace design — to empower our employees

with a simplified and streamlined working experience, enabling us to retain and attract top talent that will help drive better outcomes for our clients.

#### SHAPING THE FUTURE

Leveraging nearly a century of innovative delivery expertise and some of the world’s most sophisticated technological know-how, we have developed the platform, partnerships, and solutions to streamline and deliver data, analytics, and real-time insights under one roof to help our clients achieve their unique business objectives. As part of our commitment to improving client outcomes, we will continue to leverage the transformative power of automation, AI, and machine learning to generate operational efficiencies, service quality enhancements, and operational improvements for our clients.



We will continue to invest  
in our people and cultivate  
a culture of innovation  
and delivery excellence in  
which people thrive and  
contribute their best work.



**We're focused on continually improving our service delivery through a deep understanding of our clients, our ability to innovate and evolve, and the expertise and talent of our teams around the world.**

**RENEE LAROCHE-MORRIS**

SVP, Head of Integration Management Office for Brown Brothers Harriman Investor Services Integration



As we look ahead, we are constantly refining our organizational structure to enable greater client focus, align and improve our control environment, and introduce new functions to strengthen our client interactions and enterprise connectivity. We will continue to invest in our people and cultivate a culture of innovation and delivery excellence in which people thrive and contribute their best work.

Importantly, we will continue to work closely with our clients to understand every facet of their business so we can better anticipate their future needs and serve them as effective partners in growth.

**97%**

YEAR-OVER-YEAR STRAIGHT-THROUGH PROCESSING RATES FOR TRANSACTIONS

**86%**

YEAR-OVER-YEAR STRAIGHT-THROUGH PROCESSING RATES FOR DERIVATIVES



**ANTHONY BISEGNA**  
**EVP, Head of Global Markets**

# FURTHERING INNOVATION IN GLOBAL INVESTMENT MARKETS

Our Global Markets business provides institutional clients with value-added solutions in financing, liquidity, and proprietary market research. The team's comprehensive liquidity offering supports clients' foreign exchange, electronic trading, portfolio restructuring, and currency hedging requirements across multiple open-source architecture platforms. We back our multi-asset class trade execution capabilities with advanced technology to help enhance and preserve the value of our clients' portfolios.

Through data-driven research, our clients gain insight into investor behavior, media narratives, and real-time economics that interact to drive markets. With teams in 26 global operating sites serving clients in approximately 80 markets, we provide a robust global network and local market expertise that keep our clients connected to market developments as they happen.

In 2021, we continued to partner with clients to provide services that meet their investment management process needs, and differentiated ourselves in Global Markets by enhancing capabilities, expanding our global network, and broadening our research agenda — all while continuing to deliver value to our shareholders.



**Our culture of product innovation and client partnership goes far beyond supporting individual trades to accelerate long-term growth for our clients and for us.**

## MEETING OUR CLIENTS' NEEDS WITH EFFECTIVE SOLUTIONS

Throughout the year, we continued to strengthen our global trading platforms by introducing new solutions to help our clients unlock the potential of ever-changing markets. To meet our clients' most sophisticated needs and support State Street's goal to become the enterprise outsourcer of choice, we expanded our electronic trading platforms and outsourced trading services.

### ELECTRONIC TRADING PLATFORMS

Working closely with our clients to provide differentiated execution services, we expanded our algorithmic trading offerings, introducing new solutions for foreign exchange and equities to improve flexibility of execution strategies and enhance access to liquidity.

Building on our market-leading position in sponsored repo and securities lending businesses, we launched a new electronic peer-to-peer repo trading platform designed in close collaboration with buy-side clients. The platform simplifies overnight and term repo trading between counterparties and reflects our commitment to creating innovative solutions tailored to the buy-side market.

We also created a peer-to-peer electronic trading channel for enhanced custody and agency lending to improve liquidity. This channel has seen volume increase exponentially for enhanced custody while internalizing trade maintenance and operational work.

Looking forward, this model will be the foundation for our own proprietary securities lending platform to external counterparties and represents an opportunity to offer new, more complex trade workflows (e.g., Auction) to the borrower community.

### OUTSOURCED TRADING SERVICES

We expanded and differentiated our currency management service, delivering hedging solutions to investment managers and asset owners. Our agency-only share class and portfolio hedging products allow institutional investors to manage currency risk and efficiently distribute products across borders.

Also in 2021, we expanded our multi-asset class outsourced trading offering, leveraging our global trading technology and robust liquidity network to provide customized, holistic trading solutions. This service provides clients with broader access to markets and new asset classes while reducing costs and expanding their access to liquidity.

We also enhanced our Collateral+ service, a holistic collateral service that helps asset managers and owners calculate, navigate, and optimize their collateral, including uncleared OTC derivatives, FX options, swaptions, and hedging trades.

To provide clients with deeper insight into the optimal placement of collateral and the lowest transaction cost routes, we added pre- and post-trade collateral inventory optimization, as well as margin analytics capabilities.

# No. 1

IN CUSTOMER SATISFACTION  
FOR REAL MONEY CLIENTS\*

Embedding ESG capabilities as core offerings continues to be a key focus. In securities finance, we partnered with State Street Global Advisors to launch the ESG Securities Lending Comingled Cash Collateral Reinvestment Strategy, and we increased representation of ESG funds in currency management.

#### LEADERSHIP IN CORE OFFERINGS

Our leadership position in foreign exchange is a testament to our success in meeting our clients' needs through continuous innovation. In the annual *Euromoney Magazine* FX survey, we were named No. 1 in Customer Satisfaction for Real Money Clients for the second consecutive year and No. 1 in Macro and Quantitative Research.\* This illustrates our leading position as a top-10 FX provider globally.

The creativity and ingenuity of our employees are critical drivers of our success, and we continue to invest in technology and people to drive the long-term growth of Global Markets.

# No. 1

IN MACRO AND QUANTITATIVE  
RESEARCH\*

#### STRENGTHENING OUR GLOBAL NETWORK

Recognizing the increasingly global nature of our clients' needs, we continue to broaden our franchise capabilities in high-growth geographic markets, starting with offering FX services in emerging currency markets.

Latin America was a key region of focus in 2021. We extended our footprint in the region, establishing trading capabilities in Brazil to support global clients with our solutions and scale. We now have 21 trading and sales locations globally, which provide liquidity and onshore access to our clients.

In Europe, we increased our presence by establishing market-making capabilities in Germany. In Asia Pacific (APAC), we began an enhanced currency conversion arrangement involving onshore yuan (CNY) under Northbound Bond Connect.

\* *Euromoney Magazine* 2021 FX Survey



**Capital markets in APAC are maturing and the investable universe is expanding amid a complex and nuanced regulatory environment. We're helping clients navigate these challenges, providing liquidity across FX, securities lending, and outsourced trading to support their investments into and out of the region.**

**MICHELE HARDEMAN**

EVP, Head of Global Markets in APAC

As an FX settlement bank in the China-Hong Kong Bond Connect Scheme with membership in the China Foreign Exchange Trade System (CFETS), we offer clients direct onshore Chinese yuan (CNY) and offshore Chinese yuan (CNH) liquidity in spot, forward, and swap markets. We also expanded our currency management presence by adding portfolio management capabilities in Australia.

## DELIVERING AN INFORMATION ADVANTAGE

Delivering exclusive, high-value research to our clients is an essential differentiator for State Street, helping to strengthen our leading position as a sell-side provider. In 2021, we continued to build on the success of State Street Associates®, our academic and market research arm that partners with some of the world's leading academics in the areas of investor behavior, asset allocation and risk, ESG investing, private equity, inflation and economics, and media sentiment. We further strengthened our research capabilities by launching our Insights research platform, which provides clients with direct access to our latest investment ideas and analytics.

# 21

GLOBAL TRADING AND  
SALES LOCATIONS

# 2

NEW ACADEMIC  
PARTNERS ADDED

We also added two academic partners to our team. With the growing focus on the digital economy, we have partnered with Antoinette Schoar, an economist and professor at the Massachusetts Institute of Technology. Schoar is an expert in corporate finance, organizational economics, and entrepreneurship who will provide unique insight for our thought leadership focused on navigating the risks and opportunities in blockchain and cryptocurrencies. Harvard Business School Professor and economist Robin Greenwood also joined us to advance research on macro-level topics such as central bank policy, equity investing, financial crises, and behavioral finance.

## GROWTH THROUGH INNOVATION

In Global Markets, we partner with our clients to better understand and anticipate their needs, to make their investment management process more effective and efficient. This has been the inspiration behind our growth and the driver of deep, lasting relationships with our clients.

Looking ahead, we remain committed to leveraging this spirit of innovation and leadership, along with our market position, in conjunction with our Charles River Development front-office capabilities and our State Street Alpha<sup>SM</sup> platform, to deliver industry-leading solutions to meet our clients' most pressing challenges.



NADINE CHAKAR

EVP, Head of State Street Digital<sup>SM</sup>

THE FUTURE IS NOW

# UNLOCKING OPPORTUNITY IN THE DIGITAL ECONOMY

With the June launch of our State Street Digital<sup>SM</sup> business, we took a major step forward in realizing our vision of operating the industry's most efficient digital market infrastructure, built to help our clients grow and thrive in the new digital economy.

With State Street Digital, we are building on our history of innovation and a strong foundation in the digital services space to support clients' needs across a full spectrum of digital assets and new platforms, including digital cash, cryptocurrency, central bank digital currency (CBDC), stablecoins, smart contracts, blockchain, and other distributed ledger technologies, as well as tokenization.



**Our aim is to create an amazing digital experience to enable our clients to transition and thrive in the new digital economy.**



**By embracing innovations in blockchain, DeFi, and the crypto ecosystem, we have a rare opportunity to completely rethink our technology and operational framework to accelerate our transformation and deliver the best possible experience to our clients.**

**AMAN THIND**

EVP, Chief Technology Officer, State Street Digital<sup>SM</sup>

## LAYING A STRONG FOUNDATION

The investment industry's adoption of digital assets and cryptocurrency is creating significant investment opportunities and the potential for disruption. As the regulatory and risk landscape begins to crystalize, the digitization of assets and the electronification of transactions and workflows require new market infrastructure and solutions. State Street Digital is focused on meeting these needs.

We are strengthening our core banking operations by digitizing manual processes, and building on State Street's strength and security to develop digital market infrastructure solutions for institutional investors.

Our major focus is on establishing a State Street digital wallet that will enable our clients to custody their digital assets in combination with their traditional assets directly with State Street.

We are also developing new platform capabilities to offer superior security administration capabilities (such as ETF services) and support the financing of our clients' digital holdings. And we are complementing our digital asset servicing with digital trading and liquidity management, as these functions will be in high demand in a digital asset marketplace.

To continuously upgrade and adapt our product offerings as these new markets evolve rapidly, our digital team is focused on ensuring long-term control of key infrastructure providers of our core services, by contemplating a path to control through strategic investments and partnerships.

We are excited about the wide range of digital initiatives underway and we were proud to be named "Digital Asset Custody Initiative of the Year" by the Asset Servicing Industry Excellence Awards in 2021.

## ADVANCING OUR DIGITAL TRADING AND LIQUIDITY CAPABILITIES

At the heart of State Street Digital solutions is our proprietary GlobalLink technology platform. GlobalLink brings together the trading and liquidity infrastructure our clients need with digital custody and tokenization capabilities.

In March, we expanded our Fund Connect ETF digital platform, an integral component of the GlobalLink product suite. By opening the platform to all ETF issuers, authorized participants, and order takers, we are better prepared to support clients' end-to-end needs, from semi-transparent to crypto exchange traded products (ETPs).

The launch of our GlobalLink FX trading technology platform, announced in November, combines our powerful execution and post-trade platforms (FXConnect, Currenex, and TradeNeXus) into a single, integrated execution and workflow solution.

The platform is designed to deliver sizable benefits to our clients such as an improved price discovery solution for FXConnect buy-side clients: FXConnect Market Monitor.

This enhanced tool will continue to leverage streaming price feeds and market data to give clients a curated view of their liquidity providers, driving improved decision-making and execution outcomes. Currenex, for example, not only handles FX and fixed income, but also bridges fiat and crypto markets.

We also continued to expand our BestX transaction cost analysis platform that helps clients drive enhanced execution outcomes and provides transparency and insights into their trading process. BestX developments in 2021 included the addition of equities and digital capabilities to our FX and fixed income offering.

Our GlobalLink platforms are key to us forging ahead as we grow and enhance our peer-to-peer strategies, which help create new liquidity venues for our clients and investors worldwide. We started with a peer-to-peer repo marketplace, and will move into different asset classes to give clients a stepping stone into digital finance.



**To better serve our clients' evolving digital needs, we made significant enhancements to GlobalLink, positioning the platform to deliver next-generation trading, cash, and ETF distribution.**

**MARTINE BOND**

EVP, Head of GlobalLink

## UNLOCKING THE NEW DIGITAL ECONOMY

Tokenization is opening many doors as it democratizes global investing. By turning any asset into a digital asset — including a fractionalized portion of an asset — it becomes more accessible to investors, more easily traded, and instantaneously settled. We believe we have an opportunity, because of our scale and robust risk frameworks, to help clients leverage tokenization capabilities and access these new pools of assets in a responsible way as they look to take advantage of the benefits they offer.

Expanding client reach, accelerating distribution speed, and reducing counterparty risk through frictionless settlement and instantaneous collateral movements are just some of the opportunities on offer. Just as importantly, tokenization promises to unlock trapped liquidity in asset bases such as private equity, private credit, real estate, or other tangible assets that are otherwise simply sitting on the books until they are sold.

State Street Digital is currently developing tokenization-as-a-service capabilities to provide our clients access to these efficiencies in key segments such as private markets and funds as regulatory conditions allow these new liquidity opportunities.

## CULTIVATING KNOWLEDGE FOR THE DIGITAL AGE

The digital economy is changing what our stakeholders need to know to succeed in tomorrow's financial markets. As digital assets become more prevalent, education becomes more essential. Our 2021 Digital Finance Survey revealed that while more than half of those surveyed (56 percent) expected cryptocurrencies to be a common feature of modern portfolios, few respondents admitted to having detailed knowledge of the technology and concepts that underpin digital assets.

We are committed to working with clients, regulators, vendors, and our colleagues to provide a clear understanding of the challenges and opportunities that the digital economy presents.

Asset managers want to know whether cryptocurrency fits their investment profile and, if so, which cryptocurrency to select, which benchmarks to follow, and how to address trading, accounting, and other infrastructure — how to merge the old with the new. Through our State Street Associates market research team and our new academic partnership with Antoinette Schoar at MIT, we are providing clients with deep insights into developments in the digital marketplace.

Finally, we are developing and recruiting talent. We are implementing measures to upskill our broader organization, making sure employees understand not only how these new capabilities support our clients' success in digital markets, but also how we are leveraging the underlying technology enhancements to simplify and strengthen our own processes — so we work smarter.

## BUILDING THE FUTURE OF FINANCE

State Street has always been at the leading edge of what is next, and that is what our clients expect of us. We see digital assets as the next wave of efficiency and long-term value that will only continue to grow as a transformative force for the financial industry. We are making the investments to give our clients clarity in an increasingly digital world. The fast-changing pace and ever-shifting landscape of digital assets is overwhelming for many investors and asset owners. The work ahead for State Street Digital is all about simplification for our clients, to help them more seamlessly identify, manage, and leverage digital opportunities.

Our primary goal is to be a scalable, secure digital institutional custodian — to redefine, in fact, what it means to be a global custodian. We will achieve this by deploying the best digital platform, introducing differentiating elements along the value chain, and using our reach to influence the outcomes around tokenization and the digitization of assets. We can accelerate growth by helping our clients bridge the gap between the industry of today and the one of tomorrow.



CYRUS TARAPOREVALA

**President and CEO, State Street Global Advisors**

POWERING INVESTMENT PERFORMANCE

# FOSTERING A SUSTAINABLE FUTURE

State Street Global Advisors is the fourth-largest asset manager (by AUM) in the world, a pioneer in indexing and quantitative investing, and the creator of many of the world's first exchange traded funds (ETFs), with total assets under management of \$4.1 trillion as of December 31, 2021.

Serving some of the largest and most sophisticated pension plan sponsors, endowments and foundations, sovereign wealth funds, central banks, and financial intermediaries, we provide investment solutions across the risk-return spectrum, covering all major asset classes, investment styles, and vehicles.

By considering all material drivers of risk and return, we take a broad yet targeted approach to improving our clients' long-term investment performance. We do this by working with clients to understand their unique needs and objectives, and applying our disciplined, rigorous, research-based approach to help them meet their wide range of investment goals.



**We continued to serve our clients very well, resulting in them entrusting us with \$196 billion of net inflows. We also delivered for our shareholders, with record levels of pre-tax profits of \$674 million and pre-tax margin of 32%.**

# \$4.1T

ASSETS UNDER  
MANAGEMENT

# \$196B

TOTAL NET INFLOWS  
ACROSS OUR ETF, CASH,  
AND INSTITUTIONAL  
BUSINESSES

# \$107B

IN RECORD ETF  
NET INFLOWS

# 32%

GLOBAL ADVISORS'  
FULL-YEAR PRE-TAX  
MARGIN IN 2021

During the strong equity bull market run of 2021, a year which also saw persistently low interest rates and the return of long-dormant inflation, one of the most important roles Global Advisors continued to play for our clients was to help them protect and grow their capital in a new and more unpredictable investment landscape.

## PERFORMANCE

At Global Advisors, we executed well against our long-term strategy, which contributed to a number of records for the business in 2021, including revenues, assets under management, and ETF inflows.

Importantly, Global Advisors' full-year pre-tax margin expanded by more than 6 percentage points in 2021 to a record 32 percent, deepening the value of our investment management franchise to State Street.

Investment performance was strong across the spectrum of investment capabilities in 2021, particularly for our Active Quantitative Equities strategies, Active Fixed Income strategies, and Tactical Asset Allocation portfolios. In our index portfolios, 99 percent of our strategies were within their stated tracking bands, indicating that client portfolios achieved their target market exposures to support their long-term portfolio objectives.

Actively managed portfolios navigated a challenging year successfully, with nearly two-thirds of our active portfolios outperforming their benchmarks.



**We continue to experience significant demand for our broad-based index capabilities — as individual capabilities and as part of multi-asset solutions — as well as for active strategies and strategies that integrate ESG considerations.**

**LORI HEINEL**

EVP, Global Chief Investment Officer,  
State Street Global Advisors

Assets under management increased 19 percent year-over-year to \$4.1 trillion, driven by very strong equity markets and net flows. We reached total net inflows of \$196 billion across our ETF, cash, and institutional businesses, including record ETF net inflows of \$107 billion.

In the US, the SPDR Blackstone Senior Loan ETF was the No. 1 active ETF in the industry for net flows. In Europe, our SPDR Bloomberg SASB US Corporate ESG UCITS ETF gathered in excess of \$5.7 billion in 2021. Full-year management fees were more than \$2 billion, up nine percent from 2020, reflecting robust new business and higher average equity market levels, more than offsetting money market fee waivers.

## ETF INNOVATION

Innovation is in our DNA. Indeed, our launch of the industry's first ETF, SPDR® S&P 500® ETF Trust (SPY), exemplifies our pioneering heritage. Developed in 1993 in partnership with the American Stock Exchange, and now with more than \$400 billion in assets, SPY is not just the oldest and largest ETF, it is also the most liquid, and trades \$31 billion daily on average, at a sub-penny-wide spread. In 2021, we expanded our suite of fixed income ETFs, including the launch of our first actively managed municipal bond ETF, the SPDR Nuveen Municipal Bond ETF (MBND).

Reflecting our clients' growing interest in ESG investing, we were active in developing six new ESG-related index ETFs designed to meet our clients' ESG and fundamental investment criteria in markets worldwide.

We also continued forging strong partnerships with third-party managers to bring active ETFs to market, as demonstrated by our recent launch of the SPDR Loomis Sayles Opportunistic Bond ETF (OBND), which provides exposure to a mix of investment-grade, high-yield, non-U.S.-dollar-denominated debt, leveraged loans, and securitized issuers.

## SETTING THE STANDARD FOR ESG PROGRESS

### BUILDING PORTFOLIO RESILIENCE AND SUSTAINABLE GROWTH

Material ESG considerations are integral components of long-term risk-adjusted investment returns and represent another way in which we can unlock greater value for our clients. For us, these issues are matters of value, not values — opportunities for companies in our portfolios to mitigate downside risk, innovate, and differentiate themselves from competitors.

An increasing number of clients recognize the importance of responsible growth, fueling demand for more sophisticated ESG strategies. In 2021, we won \$28 billion in ESG mandates and were responsible for more than half a trillion dollars in ESG assets worldwide.

To meet clients' evolving needs, in 2021, in addition to launching several ESG-related ETFs, we introduced other ESG-focused products, including the Global High Yield Bond ESG Screened Index strategy, State Street Sustainable Climate Bond strategies, and the World TPI Climate Transition Index Equity strategy.

We also launched the Opportunity Class, a new money market fund share class to benefit philanthropic organizations whose values align with our commitment to racial equity and social justice.

Recognizing our expertise in integrating ESG factors into our investment processes, St. James's Place selected us to co-manage their £14 billion Global Equity Fund, which was adapted to better align with the firm's criteria for responsible investing and its net-zero commitments. And, as more investors commit to reaching net zero, we are well positioned to help them implement meaningful and measurable transition strategies.

### RAISING THE BAR ON ASSET STEWARDSHIP

As long-term stewards of our clients' assets, we are committed to fully evaluating the ESG issues that are material to a company's ability to generate sustainable growth. We believe we have a fiduciary responsibility to use our voice and our vote to drive change when it comes to all aspects of ESG, and in 2021 we focused on climate, diversity, and governance.



**A virtuous cycle of growth and liquidity strengthened the ETF ecosystem and broadened adoption, resulting in a record-setting year for the global ETF industry. 2021 saw record industry inflows of \$1 trillion, with overall industry assets surpassing \$10 trillion in AUM. During the year, SPDR experienced record inflows of \$107 billion, and saw overall AUM exceed \$1 trillion for the first time.**



RORY TOBIN

EVP, Global Head, SPDR ETF Business and Head of State Street Global Advisors in EMEA

---

**\$28B**

IN ESG MANDATES WON

**\$500B**

IN ESG ASSETS UNDER  
MANAGEMENT WORLDWIDE

# 2050

YEAR WE HAVE PLEDGED  
TO REACH NET-  
ZERO GREENHOUSE  
GAS EMISSIONS

# 948

COMPANIES HAVE APPOINTED  
AT LEAST ONE FEMALE  
DIRECTOR TO THEIR LEADERSHIP  
TEAM SINCE 2017

# 5

YEARS SINCE WE  
LAUNCHED OUR FEARLESS  
GIRL INITIATIVE

As climate change poses one of the most serious risks to long-term investors, we continued to call upon our portfolio companies to disclose their climate risks according to the framework from the Task Force on Climate-related Financial Disclosures (TCFD) and report on the progress of their transition to net-zero emissions and how that impacts their businesses.

To further raise awareness of this issue, and to help investors effectively manage the transition risks, we joined the Net Zero Asset Managers initiative, a coalition of asset managers committed to reaching net-zero greenhouse gas emissions by 2050 or sooner. Our pledge aligns with our deep-rooted commitment to drive long-term value on behalf of our clients.

In addition to the impact of climate change on sustainable value creation, we also believe issues like diversity, board leadership, and human capital management directly contribute to a company's value.

Now in its fifth year, our Fearless Girl initiative continues to build awareness and deliver results in bringing more female representation onto boards and into the workplace. Since 2017, of the 1,486 companies we had identified as having all-male boards, 948 have since appointed at least one female director as part of their leadership team. Indeed, in 2021, every company in the S&P 500 had a least one woman on its board.

In the past year, we partnered with Russell Reynolds and the Ford Foundation to produce an in-depth study on how corporate boards approach the oversight of racial and ethnic diversity, equity, and inclusion (DE&I). The study provided a view into boardroom discussions and offered a road map for how companies can more effectively manage and mitigate risks related to racial and ethnic DE&I matters. With human capital management now widely viewed as both a risk and opportunity for employers in the wake of the pandemic, we have also published guidance for effective disclosures and practices.

We also engaged our portfolio companies on corporate governance issues such as board tenure, pay, and refreshment. Along with board diversity, our stewardship is guided by the belief that strong, capable, and independent boards exercising effective oversight are the foundation upon which long-term shareholder value is created.

## TOWARD A MORE SUSTAINABLE AND INCLUSIVE FUTURE

Global Advisors will continue to seek to deliver growth for our investors, and leverage our scale, expertise, and relationships to further develop innovative solutions to help clients generate long-term, risk-adjusted returns.

We will continue to reinforce our positions in areas of competitive strength, including as a world-class ETF franchise; a global ESG leader in institutional and ETF markets; a global leader of index and systematic investment capabilities and cash as well as select active and multi-asset capabilities; and an eminent Outsourced Chief Investment Officer (OCIO) solution provider.

The roles our people and culture serve in creating value for our clients and our business cannot be overstated; hence attracting, cultivating, and retaining the best talent in the industry will remain a top priority.

Solving investment challenges for our clients will remain a catalyst for our continuous innovation. Most importantly, we will remain focused on delivering long-term risk-adjusted returns for our clients and those they serve, while helping them capitalize on new investment opportunities on the path toward a more sustainable, diverse, and inclusive future.



**RICK LACAILLE**  
**EVP, Global Head of ESG**

# ADVANCING OUR COMMITMENT TO A MORE SUSTAINABLE FUTURE

While 2021 brought disruption and uncertainty from the ongoing pandemic, we also saw deeper engagement in ESG matters — in the financial sector and around the world. Climate change took center stage, boosted by international attention from the United Nations Climate Change Conference (COP26), while the call for tangible progress in racial equity and social justice resonated across our stakeholder groups.

During 2021, we focused on the issues that matter most to our stakeholders, such as inclusion, diversity, equity, and climate change, and offered new ESG investment solutions, products, and services. We demonstrated our commitment to a more sustainable future through our asset stewardship engagements with corporate boards, advocating for the integration of ESG considerations to promote long-term, sustainable returns. Within our own operations, we continued to carefully manage and measure our environmental impact, and set aggressive goals and targets to help reduce our energy use, greenhouse gas emissions, water use, and waste generation.



**We approach ESG with a multi-stakeholder mindset to create value for clients, employees, shareholders, and communities. In 2021 we offered new ESG investment solutions, helped clients to analyze and report on ESG attributes, and managed our corporate activities and internal footprint in an environmentally and socially responsible way.**



**State Street is dedicated to embedding a supportive culture for all employees throughout the organization — a culture that reinforces a sense of care — for our colleagues, our clients, and the communities in which we operate.**

**KATHY HORGAN**

EVP, Chief Human Resources and  
Corporate Citizenship Officer

And we further ingrained ESG management into our own governance structure, embedding material issues into our board committee charters and increasing our accountability at the highest levels of management. We conducted a materiality assessment of our ESG issues to help identify and reprioritize the ESG topics that are most material to State Street and our stakeholders, which will position us for continued progress.

#### CARING FOR OUR EMPLOYEES AND OUR COMMUNITIES

In 2020, we tapped into our solid foundation of digital tools and platforms to facilitate hybrid and remote work, and in 2021, we brought employee health and well-being into sharper focus, furthering our efforts to build a supportive and inclusive culture through enhanced manager communications, along with intentional learning, development, and engagement opportunities.

## 2021 SNAPSHOT

## ENVIRONMENTAL

## SOCIAL

## GOVERNANCE

**25%**

Reduction toward our goal of reducing CO<sub>2</sub> by 27.5% by 2030

**45%**

Reduction toward our revised goal of reducing H<sub>2</sub>O use by 25% by 2030

**86%**

Increase in waste recycling rate, accomplishing 2025 goal of 80%

**100%**

(1) Carbon neutrality

**100%**

Achieved LEED Gold Certification at our new Boston headquarters

**2:1**

Matching employee gifts to specific organizations focused on addressing racial equity issues

**99%**

Of employees completed unconscious bias training in 2021

**\$25M**

Total giving by State Street Foundation

**115,600**

"Bravo" program employee recognition moments recorded

**10**

Actions Against Racism and Inequality

**30%**

Of our board is female

**23%**

Of our board is racially diverse

**12 of 13**

Of our board are independent directors

**43%**

Increase in Tier 1 supplier diversity spend from 2020

**4**

Years of inclusion in the Bloomberg Gender-Equality Index

**58%**

Of companies State Street Global Advisors engaged with that had all-male boards have added at least one female director

<sup>(1)</sup>For Scope 1 and 2, based on independently reviewed data and resultant investment in Renewable Energy Credits and carbon offset projects.



**Part of our challenge and opportunity is to engage every segment of our workforce and embed inclusion, diversity, and equity into our everyday decision-making. In 2021 — the first full year with our 10 Actions plan — we made significant progress toward this, as well as progress with each of our goals.**

**PAUL FRANCISCO**

SVP, Chief Diversity Officer

As part of our 10 Actions Against Racism and Inequality, we have set goals to improve Black and Latinx employee representation, sharpen our focus on Black and Latinx talent development, and expand on our anti-racism conversations and training. In June, we launched a 21-day racial equity and social justice challenge — a collection of short daily lessons — culminating with a week of community service opportunities in honor of Race Unity Day and Juneteenth, which will become a company holiday in the U.S. beginning in 2022.

We also recognize the role we play in supporting the economic vitality of our communities. Related to our 10 Actions, State Street Foundation has taken steps to incorporate racial equity as a priority in our corporate philanthropic arm's grant-making criteria.

We also expanded our supplier diversity program, enhancing our vendor requirements to ensure that diversity criteria are incorporated in every request for proposal and that each bid invite list includes diverse companies.

During the year, we established a team dedicated to reviewing and evolving our Flex Work policies, processes, and governance in alignment with our ongoing workplace of the future efforts. Launching in the first half of 2022, this enhanced approach to flexibility will support our company-wide strategy for transforming the way we work and further our objectives as a high-performing organization.

## 10 ACTIONS AGAINST RACISM AND INEQUALITY

### LEAD

**1** Triple our Black and Latinx\* leadership (senior vice presidents+) and double our percentage of Black and Latinx\* populations over the next three years. Extend requirement to interview a diverse slate of candidates for positions at all levels.

**2** Examine all of State Street's development and advancement programs and processes to improve the mobility and development of Black and Latinx professionals.

**3** Enlist our entire workforce in learning opportunities and conversations around anti-racism and equity. Make these approaches/programs available to our clients.

### ENGAGE

**4** Systematically review governance models within key management committees to ensure inclusion and diverse representation.

**5** Increase our spend with diverse suppliers over the next three years. Hold ourselves accountable for strengthening Black- and Latinx-owned businesses.

**6** Work with our board to add Black and Latinx directors within 18 months and to expand its diversity efforts.

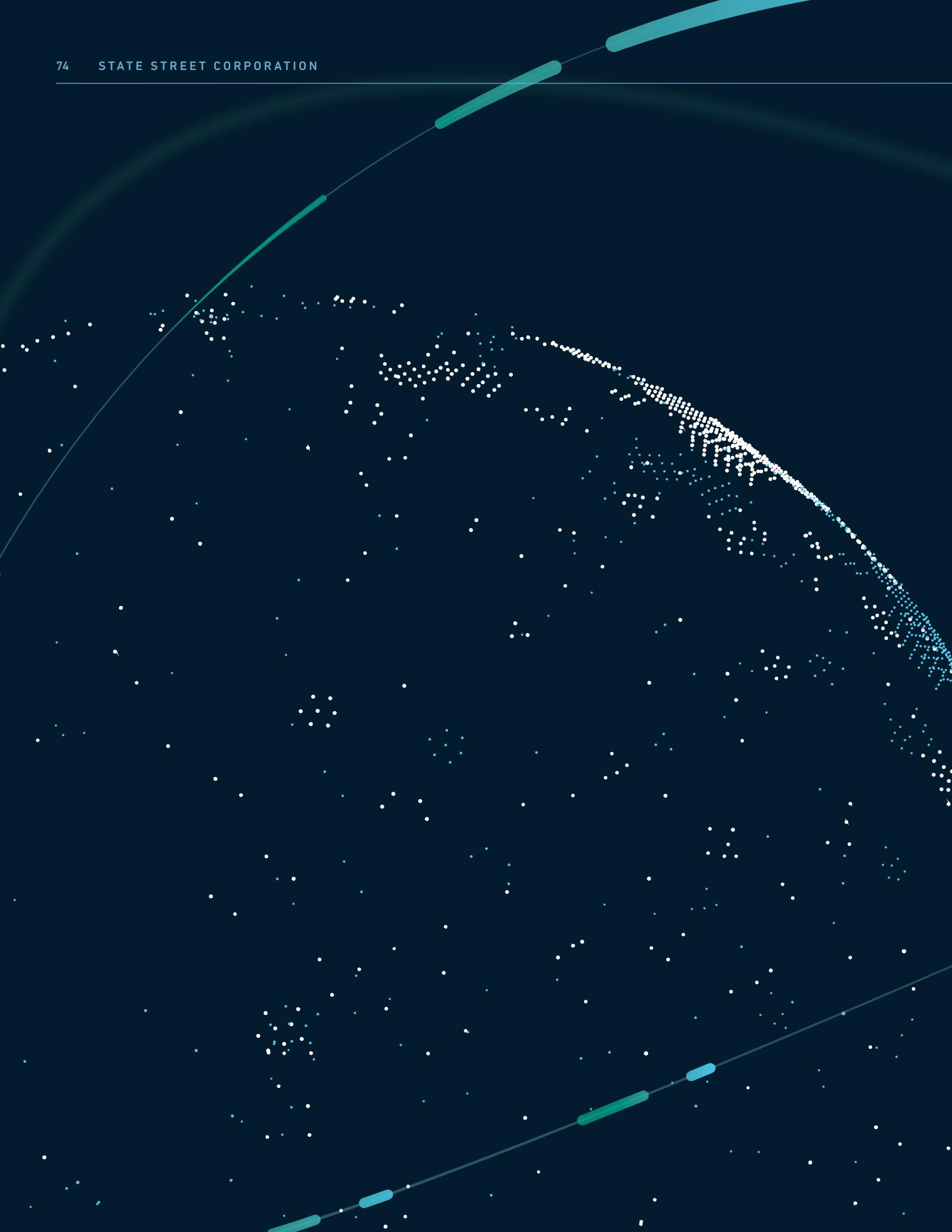
**7** Partner with State Street Global Advisors' Asset Stewardship and determine what State Street can learn from others to develop best practices and evolve to a best-in-class organization in combatting racism and attracting, motivating, and retaining Black and Latinx talent.

### GOVERN

**8** Lead an effort with the asset management industry to attract and advance more Black and Latinx people into our profession.

**9** Establish combatting racism as a clear priority pillar alongside education and workforce development, and reprioritize State Street Foundation spending accordingly.

**10** Leverage Juneteenth as a day of reflection to create awareness and establish a State Street-wide day of service focused on better understanding racism and giving back to our communities.



ACCELERATING GROWTH

# FINANCIAL REVIEW



**STATE STREET CORPORATION**  
**ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED**  
**December 31, 2021**

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## **Forward-Looking Statements**

This Form 10-K, as well as other reports and proxy materials submitted by us under the Securities Exchange Act of 1934, registration statements filed by us under the Securities Act of 1933, our annual report to shareholders and other public statements we may make, may contain statements (including statements in our Management's Discussion and Analysis included in such reports, as applicable) that are considered "forward-looking statements" within the meaning of U.S. securities laws, including statements about our goals and expectations regarding our business, financial and capital condition, results of operations, strategies, cost savings and transformation initiatives, investment portfolio performance, dividend and stock purchase programs, acquisitions (including, without limitation, our planned acquisition of Brown Brothers Harriman's Investor Services business), outcomes of legal proceedings, market growth, joint ventures and divestitures, client growth and new technologies, services and opportunities, as well as industry, governmental, regulatory, economic and market trends, initiatives and developments, the business environment and other matters that do not relate strictly to historical facts.

Terminology such as "plan," "expect," "intend," "objective," "forecast," "outlook," "believe," "priority," "anticipate," "estimate," "seek," "may," "will," "trend," "target," "strategy" and "goal," or similar statements or variations of such terms, are intended to identify forward-looking statements, although not all forward-looking statements contain such terms.

Forward-looking statements are subject to various risks and uncertainties, which change over time, are based on management's expectations and assumptions at the time the statements are made and are not guarantees of future results. Management's expectations and assumptions, and the continued validity of the forward-looking statements, are subject to change due to a broad range of factors affecting the U.S. and global economies, regulatory environment and the equity, debt, currency and other financial markets, as well as factors specific to State Street and its subsidiaries, including State Street Bank. Factors that could cause changes in the expectations or assumptions on which forward-looking statements are based cannot be foreseen with certainty and include the factors described under the headings "Risk Factors Summary" and "Risk Factors" and elsewhere in this Form 10-K, including under "Management's Discussion and Analysis."

Actual outcomes and results may differ materially from what is expressed in our forward-looking statements and from our historical financial results due to the factors discussed in this section and elsewhere in this Form 10-K or disclosed in our other SEC filings. Forward-looking statements in this

Form 10-K should not be relied on as representing our expectations or assumptions as of any time subsequent to the time this Form 10-K is filed with the SEC. We undertake no obligation to revise our forward-looking statements after the time they are made. The factors discussed herein are not intended to be a complete statement of all risks and uncertainties that may affect our businesses. We cannot anticipate all developments that may adversely affect our business or operations or our consolidated results of operations, financial condition or cash flows.

Forward-looking statements should not be viewed as predictions and should not be the primary basis on which investors evaluate State Street. Any investor in State Street should consider all risks and uncertainties disclosed in our SEC filings, including our filings under the Securities Exchange Act of 1934, in particular our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, or registration statements filed under the Securities Act of 1933, all of which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) or on the "Investor Relations" section of our corporate website at [www.statestreet.com](http://www.statestreet.com).

## **Risk Factors Summary**

The following is a summary of the material risks we are exposed to in the course of our business activities. The below summary does not contain all of the information that may be important to you, and you should read the below summary together with the more detailed discussion of risks set forth under the heading "Risk Factors," as well as elsewhere in this Form 10-K under the heading "Management's Discussion and Analysis."

### **Strategic Risks**

- The consummation of our planned 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 delay the consummation of the acquisition;
- Even if we successfully consummate our planned acquisition of the BBH Investor Services business, we may fail to realize some or all of the anticipated benefits of the transaction or the benefits may take longer to realize than expected;
- 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;
- Our development and completion of new products and services, including State Street Digital or State Street Alpha, and the

- enhancement of our infrastructure required to meet increased regulatory and client expectations for resiliency and the systems and process re-engineering necessary to achieve improved productivity and reduced operating risk, may involve costs and dependencies and expose us to increased risk;
- Our business may be negatively affected by our failure to update and maintain our technology infrastructure;
  - The COVID-19 pandemic continues to exacerbate certain risks and uncertainties for our business;
  - Acquisitions, strategic alliances, joint ventures and divestitures, and the integration, retention and development of the benefits of our acquisitions, pose risks for our business; and
  - Competition for qualified members of our workforce is intense, and we may not be able to attract and retain the highly skilled people we need to support our business.

#### **Financial Market Risks**

- We could be adversely affected by geopolitical, economic and market conditions;
- 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;
- Our fee revenue represents a significant portion of our consolidated revenue and is subject to decline based on, among other factors, market and currency declines, investment activities of our clients and their business mix;
- 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;

- We may need to raise additional capital or debt in the future, which may not be available to us or may only be available on unfavorable terms; and
- 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.

#### **Compliance and Regulatory Risks**

- 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;
- We are subject to enhanced external oversight as a result of the resolution of prior regulatory or governmental matters;
- Our businesses may be adversely affected by government enforcement and litigation;
- Any misappropriation of the confidential information we possess could have an adverse impact on our business and could subject us to regulatory actions, litigation and other adverse effects;
- Our calculations of risk exposures, total RWA and capital ratios depend on data inputs, formulae, models, correlations and assumptions that are subject to change, which could materially impact our risk exposures, our total RWA and our capital ratios from period to period;
- Changes in accounting standards may adversely affect our consolidated financial statements;
- Changes in tax laws, rules or regulations, challenges to our tax positions and changes in the composition of our pre-tax earnings may increase our effective tax rate; and
- The transition away from LIBOR may result in additional costs and increased risk exposure.

#### **Operational Risks**

- Our control environment may be inadequate, fail or be circumvented, and operational risks could adversely affect our consolidated results of operations;
- Cost shifting to non-U.S. jurisdictions and outsourcing may expose us to increased operational risk, geopolitical risk and

- reputational harm and may not result in expected cost savings;
- Attacks or unauthorized access to our information technology systems or facilities, or those of the third parties with which we do business, or disruptions to our or their continuous operations, could result in significant costs, reputational damage and impacts on our business activities;
- Long-term contracts expose us to pricing and performance risk;
- Our businesses may be negatively affected by adverse publicity or other reputational harm;
- We may not be able to protect our intellectual property;
- 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.

## **PART I**

### **ITEM 1. BUSINESS**

#### **GENERAL**

State Street Corporation, referred to as the Parent Company, is a financial holding company organized in 1969 under the laws of the Commonwealth of Massachusetts. Our executive offices are located at One Lincoln Street, Boston, Massachusetts 02111 (telephone (617) 786-3000). For purposes of this Form 10-K, unless the context requires otherwise, references to "State Street," "we," "us," "our" or similar terms mean State Street Corporation and its subsidiaries on a consolidated basis. The Parent Company is a source of financial and managerial strength to our subsidiaries. Through our subsidiaries, including our principal banking subsidiary, State Street Bank and Trust Company, referred to as State Street Bank, we provide a broad range of financial products and services to institutional investors worldwide, with \$43.68 trillion of AUC/A and \$4.14 trillion of AUM as of December 31, 2021.

As of December 31, 2021, we had consolidated total assets of \$314.62 billion, consolidated total

deposits of \$255.04 billion, consolidated total shareholders' equity of \$27.36 billion and approximately 39,000 employees. We operate in more than 100 geographic markets worldwide, including the U.S., Canada, Latin America, Europe, the Middle East and Asia.

On the "Investor Relations" section of our corporate website at [www.statestreet.com](http://www.statestreet.com), we make available, free of charge, all reports we electronically file with, or furnish to, the SEC including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, as soon as reasonably practicable after those documents have been filed with, or furnished to, the SEC. These documents are also accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). We have included the website addresses of State Street and the SEC in this report as inactive textual references only. Information on those websites (or any other) is not incorporated by reference in this Form 10-K.

We have Corporate Governance Guidelines, as well as written charters for the Examining and Audit Committee, the Executive Committee, the Human Resources Committee, the Nominating and Corporate Governance Committee, the Risk Committee and the Technology and Operations Committee of our Board of Directors, or Board, and a Code of Ethics for senior financial officers, a Standard of Conduct for Directors and a Standard of Conduct for our employees. Each of these documents is posted on the "Investor Relations" section of our website under "Corporate Governance."

We provide additional disclosures required by applicable bank regulatory standards, including supplemental qualitative and quantitative information with respect to regulatory capital (including market risk associated with our trading activities) and the liquidity coverage ratio, summary results of State Street-run stress tests which we conduct under the Dodd-Frank Act and resolution plan disclosures required under the Dodd-Frank Act. These additional disclosures are available on the "Investor Relations" section of our website under "Filings and Reports."

We use acronyms and other defined terms for certain business terms and abbreviations, as defined on the acronyms list and glossary under Item 8 in this Form 10-K.

#### **BUSINESS DESCRIPTION**

##### **Overview**

We conduct our business primarily through State Street Bank, which traces its beginnings to the founding of the Union Bank in 1792. State Street Bank's current charter was authorized by a special Act of the Massachusetts Legislature in 1891, and its present name was adopted in 1960. State Street Bank operates as a specialized bank, referred to as a

trust or custody bank, that services and manages assets on behalf of its institutional clients.

Our clients include mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers.

## LINES OF BUSINESS

We have two lines of business: Investment Servicing and Investment Management.

### Investment Servicing

Our Investment Servicing line of business performs core custody and related value-added functions, such as providing institutional investors with clearing, settlement and payment services. Our financial services and products allow our large institutional investor clients to execute financial transactions on a daily basis in markets across the globe. As most institutional investors cannot economically or efficiently build their own technology and operational processes necessary to facilitate their global securities settlement needs, our role as a global trust and custody bank is generally to aid our clients to efficiently perform services associated with the clearing, settlement and execution of securities transactions and related payments.

Our Investment Servicing line of business, through State Street Institutional Services, State Street Global Markets, State Street Digital and CRD, provides services for institutional clients, including mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, investment managers, foundations and endowments worldwide. Products include: custody; product accounting; daily pricing and administration; master trust and master custody; depotbank services (a fund oversight role created by non-U.S. regulation); record-keeping; cash management; foreign exchange, brokerage and other trading services; securities finance and enhanced custody products; deposit and short-term investment facilities; loans and lease financing; investment manager and alternative investment manager operations outsourcing; performance, risk and compliance analytics; and financial data management to support institutional investors.

Included within our Investment Servicing line of business is CRD, which we acquired in 2018. The Charles River Investment Management System is a technology offering which is designed to automate and simplify the institutional investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. With the acquisition of CRD, we took

the first step in building our front-to-back platform, State Street Alpha. Today our State Street Alpha platform combines portfolio management, trading and execution, analytics and compliance tools, and advanced data aggregation and integration with other industry platforms and providers. In 2021, we further expanded our technology offering with the acquisition of Mercatus, Inc., enabling the launch of Alpha for Private Markets.

In 2021, we established State Street Digital to focus on the development of digital assets and technologies, including crypto, central bank digital currency, blockchain and tokenization, including the evolution of a new integrated business and digital operating model designed to support our clients' digital investment cycle.

We provide some or all of the Investment Servicing integrated products and services to clients in the U.S. and in many other markets, including, among others, Australia, Brazil, Canada, Cayman Islands, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, South Korea and the U.K. As of December 31, 2021, we serviced AUC/A of approximately \$32.43 trillion in the Americas, approximately \$8.60 trillion in Europe and the Middle East and approximately \$2.65 trillion in the Asia-Pacific region<sup>1</sup>.

### Investment Management

Our Investment Management line of business, through State Street Global Advisors, provides a broad range of investment management strategies and products for our clients. Our investment management strategies and products span the risk/reward spectrum for equity, fixed income and cash assets, including core and enhanced indexing, multi-asset strategies, active quantitative and fundamental active capabilities and alternative investment strategies. Our AUM is currently primarily weighted to indexed strategies. In addition, we provide a breadth of services and solutions, including environmental, social and governance (ESG) investing, defined benefit and defined contribution and Global Fiduciary Solutions (formerly Outsourced Chief Investment Officer). State Street Global Advisors is also a provider of ETFs, including the SPDR® ETF brand. As of December 31, 2021, State Street Global Advisors had AUM of approximately \$4.14 trillion.

Additional information about our lines of business is provided under "Line of Business Information" included in our Management's Discussion and Analysis, and in Note 24 to the consolidated financial statements in this Form 10-K. Additional information about our non-U.S. activities is included in Note 26 to the consolidated financial statements in this Form 10-K.

<sup>1</sup> Geographic mix is generally based on the domicile of the entity servicing the funds and is not necessarily representative of the underlying asset mix.

## **COMPETITION**

We operate in a highly competitive environment in all areas of our business globally. Our competitors include a broad range of financial institutions and servicing companies, including other custodial banks, deposit-taking institutions, investment management firms, insurance companies, mutual funds, broker/dealers, investment banks, benefits consultants, investment analytics businesses, business service and software companies, technology companies, data providers and information services firms. As our businesses grow and markets evolve, we may encounter increasing and new forms of competition around the world.

We believe that many key factors drive competition in the markets for our business. Technological expertise, economies of scale, required levels of capital, pricing, quality and scope of services, and sales and marketing are critical to our Investment Servicing line of business. For our Investment Management line of business, key competitive factors include expertise, experience, availability of related service offerings, quality of service, price, efficiency of our products and services, and performance.

Our competitive success may depend on our ability to develop and market new and innovative services, to adopt or develop new technologies, to implement efficiencies into our operational processes, to bring new services to market in a timely fashion at competitive prices, to integrate existing and future products and services effectively into State Street Alpha, to continue to expand our relationships with existing clients, and to attract new clients.

We are a G-SIB and are subject to extensive regulation and supervision with respect to our operations and activities. Not all of our competitors have similarly been designated as systemically important nor are all of them subject to the same degree of regulation as a bank or financial holding company, and therefore some of our competitors may not be subject to the same limitations, requirements and standards with respect to their operations and activities. Most other financial institutions designated as systemically important have substantially greater financial resources and a broader base of operations than we do and are, consequently, in a better competitive position to manage and bear the costs of this enhanced regulatory requirement. See "Supervision and Regulation" in this Item for more information.

## **HUMAN RESOURCES**

Our employees are a core asset and a key driver of our long-term performance. Our employees drive the company's value proposition, innovate better ways to serve our clients and act as custodians of our reputation. We seek to empower our

employees by providing development and learning opportunities to help each person reach their full potential, by promoting an inclusive and diverse workplace and by improving organizational effectiveness. Our human capital strategy is a meaningful driver of our overall enterprise strategy.

In 2021, the COVID-19 pandemic continued to have a significant impact on how we managed our workforce. We enhanced and expanded flexible work opportunities, embracing a hybrid model of working, while also giving nearly all employees the opportunity to return to the office. We also maintained enhanced employee benefits put in place in 2020, which vary based on location, with specific, pandemic-related offerings including providing support for COVID-19-related medical costs, additional time off, backup childcare options and reimbursement for home office equipment. Due to the net impact of hiring and attrition levels, both of which we monitor closely, our workforce at the end of 2021 was down 2% compared to 2020 at approximately 39,000 employees, 69% of whom are located outside the U.S.

The Board of Directors' Human Resources Committee oversees our human capital management strategy, and receives regular updates on matters such as recruitment, retention and inclusion and diversity initiatives. Our management-level Enterprise Talent Management Committee, which consists of senior executive leaders, provides leadership, input and advice on our global talent-related initiatives to support achievement of our strategic priority to continually seek to become a higher-performing organization and a destination for talent.

## **Workforce Engagement and Culture**

Our culture and values help to define us as a company. Employees are expected to focus on the following culture traits as they carry out their work:

- Choose to Own It;
- Break Through Silos;
- Deliver Results with Integrity and Speed;
- Do Better Every Day; and
- Care for Our Colleagues, Clients and Community.

We aim to promote strong levels of employee commitment and connection to the company by highlighting our shared culture traits and the behaviors that drive our business strategy, such as our annual Risk Excellence Awards, which recognize and reward employees who demonstrate exemplary risk management performance. We believe that an inclusive and diverse culture where employees feel valued and engaged will make State Street a more desirable place to work, help us to attract key talent and retain employees as they grow in their careers and foster an environment that enhances each individual's productivity and professional satisfaction.

We use our compensation program to incentivize our executives to role-model these shared culture traits. In determining executive compensation, we first measure enterprise-level performance, including leadership- and diversity-related performance. We then evaluate executives' performance against individual objectives derived from our corporate goals, including their performance advancing and role-modeling the critical leadership behaviors and culture traits that drive our business strategy.

The integrity and ethical decision-making of our employees is also paramount for our culture. We encourage employees to speak up if they see behavior that is inconsistent with our Standard of Conduct, culture or values, and we regularly communicate the multiple channels provided for them to do so, including our Speak Up Line, Conduct Risk Management team and other avenues. We want our employees to know their opinions are valued, to feel comfortable asking questions and raising concerns, to feel truly appreciated for acting responsibly by voicing concerns, and to have no fear of retaliation. Our approach is to promote ethical conduct by treating minor policy breaches as learning opportunities, and major policy breaches and misconduct promptly, professionally and seriously.

### **Attracting and Retaining Top Talent**

Attracting and retaining top talent is critical to our business strategy, especially in particularly competitive labor markets, such as the environment in 2021. As such, we carefully monitor our hiring, promotion and turnover rates and implement programs to help retain our best employees. For example, we saw an opportunity to correct an imbalance in the competitiveness of our compensation program by accelerating expenses associated with certain deferred cash incentive awards in the fourth quarter of 2021. This change will allow us to realign the mix of immediate versus deferred cash in our incentive compensation awards in future periods, which will make our pay practices more competitive and enable us to better attract talent in an increasingly tight talent market. Our mix of deferred equity remains unchanged. We also continue to see success redeploying employees via the internal talent marketplace that we launched during 2020. The talent marketplace is an innovative way for our employees to access new roles, skills and opportunities, and for managers to recruit internal talent. By broadening every employee's access to roles and by showing managers the full breadth of talent at State Street, our goal is to provide better pathways to long-term career success at State Street for all employees.

We regularly monitor our compensation program to maintain competitiveness. Our overall aim with respect to compensation is to reward and motivate high-performing employees and to provide competitive incentive opportunities, encouraging

employees to learn and grow in their careers. Compensation typically comprises fixed compensation, which reflects individual skills and abilities relative to role requirements, and variable compensation, which is designed to link total compensation opportunities to organizational, business line, risk management and individual performance. Our compensation program is intended to drive our business strategy by differentiating pay based on performance against annual objectives.

Professional development and employee learning are also key elements of our talent retention strategy. We seek to align our learning and development programs with our corporate strategy by offering skills enhancement addressing the rapidly changing, technology-centric demands of the financial services industry. We also provide professional development opportunities and new roles for key talent, which we believe helps to deepen our employees' skillsets and provides them with a broader perspective on the company.

### **Inclusion, Diversity and Equity**

Inclusion, diversity and equity have long been a focus for our company and we are working to accelerate progress via our "10 Actions Against Racism and Inequality," which we announced in July 2020. These concrete actions, including specific goals to increase diverse representation among our senior leaders and our Board and increasing our spend with diverse suppliers, are intended to address racial and social injustice and inequity by improving inclusion and diversity within our own company and advocating for the same in our industry and communities. We believe that our strength comes from our diversity, including with respect to race, gender, LGBTQ+ identity, disability, and veteran status, and that attracting and hiring the best person for the job is core to our ability to be an essential partner to our clients. We track our progress against the objectives outlined in the "10 Actions" and publicly share our progress on our website to help hold ourselves accountable.

At the end of 2021, our global workforce was 55% male and 45% female, and women represented 32% of our leadership (defined as senior vice president level and above). In the U.S., 34% of our workforce self-identified as employees of color. We also publish our EEO-1 demographic data on our website.

### **Organizational Effectiveness**

Driving improvements in both individual and organizational productivity is a key ongoing focus of our overall human capital management strategy. We seek to enhance the value each employee is able to contribute by investing in new technologies, designing more effective organizational structures, improving processes and operating models, optimizing our global footprint, and aligning incentives to outcomes.

We believe that improving the productivity of our workforce will yield more engaged and higher performing employees and optimize our ability to service our clients, grow revenues and improve operating margin performance.

### **Community Engagement**

We are proud of our impact on communities around the world through employee volunteering and the financial support that the State Street Foundation provides to non-profit organizations. We also manage a charitable board matching program, providing training and support for State Street employees to serve as members of boards of directors of charitable organizations, and a matching gifts program, recognizing the contributions of employees by monetizing volunteer time, matching donations and supporting employee fundraising efforts. Our skills-based volunteer program gives employees the opportunity to strengthen their communities while also developing their professional skills in alignment with our overall human capital management strategy. We recognize that being a good corporate citizen drives employee engagement, enhances our reputation with clients and potential employees, improves brand recognition and builds public trust.

### **SUPERVISION AND REGULATION**

We are registered with the Federal Reserve as a bank holding company pursuant to the Bank Holding Company Act of 1956. The Bank Holding Company Act generally limits the activities in which bank holding companies and their non-banking subsidiaries may engage to managing or controlling banks and to a range of activities that are considered to be closely related to banking. Bank holding companies that have elected to be treated as financial holding companies, such as the Parent Company, may engage in a broader range of activities considered to be "financial in nature." The regulatory limits on our activities also apply to non-banking entities that we are deemed to "control" for purposes of the Bank Holding Company Act, which may include companies of which we own or control 5% or more of a class of voting shares. The Federal Reserve may order a bank holding company to terminate any activity, or its ownership or control of a non-banking subsidiary, if the Federal Reserve finds that the activity, ownership or control constitutes a serious risk to the financial safety, soundness or stability of a banking subsidiary or is inconsistent with sound banking principles or statutory purposes. The Bank Holding Company Act also requires a bank holding company to obtain prior approval of the Federal Reserve before it acquires substantially all the assets of any bank, or ownership or control of more than 5% of the voting shares of any bank.

The Parent Company has elected to be treated as a financial holding company and, as such, may engage in a broader range of non-banking activities

than permitted for bank holding companies and their subsidiaries that have not elected to become financial holding companies. Financial holding companies may engage directly or indirectly, either de novo or by acquisition, in activities that are defined by the Federal Reserve to be financial in nature, provided that the financial holding company gives the Federal Reserve after-the-fact notice of the new activities. Activities defined to be financial in nature include, but are not limited to: providing financial or investment advice; underwriting; dealing in or making markets in securities; making merchant banking investments, subject to significant limitations; and any activities previously found by the Federal Reserve to be closely related to banking. In order to maintain our status as a financial holding company, we and each of our U.S. depository institution subsidiaries are expected to be well capitalized and well managed, as defined in applicable regulations and determined in part by the results of regulatory examinations, and must comply with Community Reinvestment Act obligations. Failure to maintain these standards may result in restrictions on our activities and may ultimately permit the Federal Reserve to take enforcement actions against us and restrict our ability to engage in activities defined to be financial in nature. Currently, under the Bank Holding Company Act, we may not be able to engage in new activities or acquire shares or control of other businesses.

In response to the 2008 financial crisis, as well as other factors, such as technological and market changes, both the scope of the laws and regulations and the intensity of the supervision to which our business is subject has increased. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations, most of which are now in place. Subsequently, in May 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA) was enacted. The EGRRCPA's revisions to the U.S. financial regulatory framework have altered certain laws and regulations applicable to us and other major financial services firms. Under the current administration, changes in key personnel at the agencies that regulate such banking organizations, including the federal banking agencies, may result in increased prudential and conduct oversight, more extensive regulatory requirements, changing interpretations of existing rules and guidelines, and potentially more stringent enforcement and more severe penalties. Irrespective of any regulatory change, we expect that our business will remain subject to extensive regulation and supervision.

In addition, increased regulatory requirements and initiatives have been and are being implemented internationally with respect to financial institutions,

including the implementation of the Basel III rule (refer to "Regulatory Capital Adequacy and Liquidity Standards" in this "Supervision and Regulation" section and under "Capital" in "Financial Condition" in our Management's Discussion and Analysis in this Form 10-K for a discussion of Basel III), the European Commission's Investment Firm Review and Central Securities Depositories Regulation, as well as proposals for amending the Alternative Investment Fund Managers Directive and under the Capital Markets Union Action Plan.

Many aspects of our business are subject to regulation by other U.S. federal and state governmental and regulatory agencies and self-regulatory organizations (including securities exchanges), and by non-U.S. governmental and regulatory agencies and self-regulatory organizations. Some aspects of our public disclosure, corporate governance principles and internal control systems are subject to the Sarbanes-Oxley Act of 2002 (SOX), the Dodd-Frank Act and regulations and rules of the SEC and the New York Stock Exchange.

## **Regulatory Capital Adequacy and Liquidity Standards**

### **Basel III Rule**

We, as an advanced approaches banking organization, are subject to the Basel III framework in the U.S. The provisions of the Basel III rule related to minimum capital requirements, regulatory capital buffers and deductions and adjustments to regulatory capital were fully implemented as of January 1, 2019. We are also subject to the market risk capital rule jointly issued by U.S. banking regulators to implement the changes to the market risk capital framework in the U.S.

As required by the Dodd-Frank Act, we, as an advanced approaches banking organization, are subject to a "capital floor," also referred to as the Collins Amendment, in the assessment of our regulatory capital adequacy, including the capital conservation buffer and countercyclical capital buffer described below in this "Supervision and Regulation" section. Our risk-based capital ratios for regulatory assessment purposes are the lower of each ratio calculated under the standardized approach and the advanced approaches.

### **Risk Weighted Assets**

The Basel III rule provides two frameworks for the calculation of RWA for purposes of bank regulatory compliance: the "standardized" approach and the "advanced" approaches, which are applicable to advanced approaches banking organizations, like us.

The standardized approach prescribes standardized risk weights for certain on- and off-balance sheet exposures in the calculation of RWA. The advanced approaches consist of the Advanced

Internal Ratings-Based Approach (AIRB) used for the calculation of RWA related to credit risk and the Advanced Measurement Approach (AMA) used for the calculation of RWA related to operational risk.

In November 2019, the Federal Reserve and the other U.S. federal banking agencies (U.S. Agencies) issued a final rule that, among other things, implements the standardized approach for counterparty credit risk (SA-CCR), a methodology for calculating the exposure amount for derivative contracts. Under the final rule, beginning on January 1, 2022, we have the option to use the SA-CCR or the Internal Model Methodology (IMM) to measure the exposure amount of our cleared and uncleared derivative transactions under our advanced approaches calculation. We have elected to use the SA-CCR for purposes of our advanced approaches capital calculations. Beginning on January 1, 2022, we are required to determine the amount of these exposures using the SA-CCR under our standardized approach capital calculation.

### *Minimum Risk-Based Capital Requirements*

Among other things, the Basel III rule (as amended) requires:

- a minimum CET1 risk-based capital ratio of 4.5% and a minimum SLR of 3% for advanced approaches banking organizations;
- a minimum Tier 1 risk-based capital ratio of 6%;
- a minimum total capital ratio of 8%; and
- the stress capital and countercyclical capital buffers, referenced below, as well as a G-SIB surcharge and the enhanced SLR (which acts as an SLR buffer) described in "Capital" in "Financial Condition" in our Management's Discussion and Analysis in this Form 10-K.

Under the Basel III rule, our total regulatory capital is composed of three tiers: CET1 capital, Tier 1 capital (which includes CET1 capital), and Tier 2 capital. The total of Tier 1 and Tier 2 capital, adjusted as applicable, is referred to as total regulatory capital.

CET1 capital is composed of core capital elements, such as qualifying common shareholders' equity and related surplus plus retained earnings and the cumulative effect of foreign currency translation plus net unrealized gains (losses) on debt and equity securities classified as AFS, less treasury stock and less goodwill and other intangible assets, net of related deferred tax liabilities. Tier 1 capital is composed of CET1 capital plus additional Tier 1 capital instruments which, for us, includes four series of preferred equity outstanding as of December 31, 2021. Tier 2 capital includes certain eligible subordinated long-term debt instruments. Total regulatory capital consists of Tier 1 capital and Tier 2 capital.

Certain other items, if applicable, must be deducted from Tier 1 and Tier 2 capital, including certain investments in the capital of unconsolidated banking, financial and insurance entities and the amount of expected credit losses that exceeds recorded allowances for loan and other credit losses. Expected credit losses are calculated for wholesale credit exposures by formula in conformity with the Basel III rule.

#### G-SIB Surcharge

The eight U.S. bank holding companies deemed to be G-SIBs, including us, are required to calculate the G-SIB surcharge annually according to two methods, and be bound by the higher of the two:

- Method 1: Assesses systemic importance based upon five equally-weighted components: size, interconnectedness, complexity, cross-jurisdictional activity and substitutability; or
- Method 2: Alters the calculation from Method 1 by factoring in a short-term wholesale funding score in place of substitutability and applying a fixed coefficient to each of the five components.

Method 2 is the binding methodology for us as of December 31, 2021, and our applicable surcharge for 2022 was calculated to be 1.0% based on a calculation date as of December 31, 2019. Based on a calculation date as of December 31, 2020, our G-SIB surcharge could have been 1.5%, which under the generally applicable provisions of the capital rules, absent regulatory relief, would go into effect on January 1, 2023. However, in May 2021, the Federal Reserve granted our request for relief relating to the effects of the Money Market Mutual Fund Liquidity Facility (MMLF) program on the calculation of our G-SIB surcharge. As a result of this relief, our G-SIB surcharge for 2023 will remain 1.0%. As noted above, our G-SIB surcharge must be calculated annually, and year-over-year changes in our Method 1 or Method 2 G-SIB scores may therefore result in changes to our G-SIB surcharge. If our Method 1 or Method 2 score changes year-over-year such that we would become subject to a higher surcharge, the higher surcharge would not become effective for two years from the "as of" date (e.g., a higher surcharge calculated as of December 31, 2022 would not become effective until January 1, 2025). If, however, our Method 1 or Method 2 score changes year-over-year such that we would become subject to a lower surcharge, we would be subject to the lower surcharge beginning one full year from the "as of" date (e.g., a lower surcharge calculated as of December 31, 2022 would become effective January 1, 2024).

#### Stress Capital Buffer

On March 4, 2020, the U.S. Agencies issued the SCB final rule that replaces, under the standardized approach, the fixed capital conservation buffer (2.5%) with an SCB calculated as the difference between the institution's starting and lowest projected CET1 ratio under the severely adverse scenario of the Federal Reserve's supervisory stress test plus planned common stock dividend payments (as a percentage of RWA) from the fourth through seventh quarter of the supervisory stress testing planning horizon. Based on our results from the 2021 supervisory stress test, our SCB for the period of October 1, 2021 through September 2022 is set at the minimum of 2.5% of RWA. For additional information about the SCB final rule, refer to "Capital Planning, Stress Tests and Dividends" in this "Supervision and Regulation" section.

Under the SCB final rule, a banking organization would be able to make capital distributions and discretionary bonus payments without specified quantitative limitations (although subject to other potential regulatory constraints, such as supervisory limitations), as long as it maintains its required SCB plus the applicable G-SIB surcharge (plus any potentially applicable countercyclical capital buffer) over the minimum required risk-based capital ratios and as long as it satisfies all leverage based capital requirements and buffers. From time to time, under certain economic conditions, banking regulators may establish a minimum countercyclical capital buffer up to a maximum of 2.5% of total RWA. The countercyclical capital buffer was initially set by banking regulators at zero, and has not been increased since its inception.

Assuming a countercyclical buffer of 0%, the minimum capital ratios as of January 1, 2022, including a capital conservation buffer and an SCB of 2.5% for advanced and standardized approaches, respectively, and a G-SIB surcharge of 1.0%, are 8.0% for CET1 capital, 9.5% for Tier 1 risk-based capital and 11.5% for total risk-based capital, in order for us to make capital distributions and discretionary bonus payments without limitation.

## Leverage Ratios

We are subject to a minimum Tier 1 leverage ratio and a supplementary leverage ratio. The Tier 1 leverage ratio is based on Tier 1 capital and adjusted quarterly average on-balance sheet assets. The Tier 1 leverage ratio differs from the SLR primarily in that the denominator of the Tier 1 leverage ratio is a quarterly average of on-balance sheet assets, while the SLR includes both on-balance sheet and certain off-balance sheet exposures. We must maintain a minimum Tier 1 leverage ratio of 4%.

We are also subject to a minimum SLR of 3%, and as a U.S. G-SIB, we must maintain an additional 2% SLR buffer in order to avoid any limitations on distributions to shareholders and discretionary bonus payments to certain executives. If we do not maintain this buffer, limitations on these distributions and discretionary bonus payments would be increasingly stringent based upon the extent of the shortfall.

In November 2019, pursuant to the EGRRCPA, the U.S. Agencies adopted a final rule that excludes central bank deposits from a custodial banking organization's total leverage exposure for purpose of calculating the SLR and which is not applicable to total leverage exposure under the calculation of Tier 1 leverage. This exclusion is equal to the lesser of (i) the total amount of funds the custodial banking organization and its consolidated subsidiaries have on deposit at qualifying central banks and (ii) the total amount of client funds on deposit at the custodial banking organization that are linked to fiduciary or custodial and safekeeping accounts. The rule became effective on April 1, 2020. For the quarter ended December 31, 2021, we excluded \$84.1 billion of average balances held on deposit at central banks from the denominator used in the calculation of our SLR based on this custodial banking exclusion. The TLAC and LTD that State Street is required to hold under SLR-based requirements reflect the exclusion of certain central bank balances as a consequence of the rule.

The SA-CCR final rule adopted in November 2019, which went into effect for us on January 1, 2022, also requires us to incorporate the SA-CCR into the calculation of our total leverage exposure for the purpose of calculating SLR.

In 2018, the Federal Reserve proposed modifications to the SLR that would replace the current 2% SLR buffer applicable to us with an SLR buffer equal to 50% of our applicable G-SIB capital surcharge. The Federal Reserve has not finalized these proposed modifications.

## *Selected Recent Regulatory Developments Summary*

Final Rule Issued	Final Rule Effective Date	Description
August 2020	January 1, 2021	In March 2020, the U.S. Agencies issued an interim final rule (followed by a final rule in August 2020) that revised the definition of eligible retained income for all U.S. banking organizations, including us. The revised definition of eligible retained income makes any automatic limitations on capital distributions that could apply to us under the federal banking agencies' capital or TLAC rules take effect on a more gradual basis in the event that our capital, leverage or TLAC ratios were to decline below regulatory requirements, including regulatory capital, leverage or TLAC buffers, as applicable.
October 2020	April 1, 2021	The U.S. Agencies issued a final rule that requires us and State Street Bank to make deductions from regulatory capital for investments in certain unsecured debt instruments issued by bank holding companies and U.S. intermediate holding companies of foreign banks that are subject to the Federal Reserve's TLAC and LTD requirements, as well as foreign G-SIBs.
October 2020	July 1, 2021	In October 2020, the U.S. Agencies issued a final rule implementing the Basel Committee on Banking Supervision's (BCBS) NSFR in the United States, which applies to us and State Street Bank. The final rule requires large banking organizations to maintain an amount of available stable funding, which is a weighted measure of a company's funding sources over a one-year time horizon, calculated by applying standardized weightings to the company's equity and liabilities based on their expected stability, that is no less than the amount of required stable funding, which is calculated by applying standardized weightings to assets, derivatives exposures and certain other items based on their liquidity characteristics.
November 2019	January 1, 2022	The U.S. Agencies issued a final rule that, among other things, implements the standardized approach for counterparty credit risk (SA-CCR), a methodology for calculating the exposure amount for derivative contracts under the U.S. regulatory capital rules. Under the final rule, we have the option to use the SA-CCR or the Internal Model Methodology (IMM) to measure the exposure amount of our cleared and uncleared derivative transactions under our advanced approaches calculation. We have elected to use the SA-CCR for purposes of our advanced approaches capital calculations. We are required to determine the amount of these exposures using the SA-CCR under our standardized approach capital calculation. Due to the nature of our trading activities, the final rule is likely to have a greater proportional impact on our RWA than on some of our G-SIB peers. In addition, under the final rule we are required to use a simplified formula to determine the RWA amount of our central counterparty default fund contributions. The final rule also requires us to incorporate the SA-CCR into the calculation of our total leverage exposure for the purpose of calculating SLR.

As a G-SIB, we are subject to enhanced supervision and prudential standards. Our status as a G-SIB has also resulted in heightened prudential and conduct expectations of our U.S. and international regulators with respect to our capital and liquidity management and our compliance and risk oversight programs. These heightened expectations have increased our regulatory compliance costs, including personnel, technology and systems, as well as significant additional implementation and related costs to enhance our regulatory compliance programs. Regulatory compliance requirements are anticipated to remain at least at the elevated levels we have experienced over the past several years.

Failure to meet current and future regulatory capital requirements could subject us to a variety of enforcement actions, including the termination of State Street Bank's deposit insurance by the FDIC, and to certain restrictions on our business, including those that are described above in this "Supervision and Regulation" section.

Not all of our competitors have similarly been designated as systemically important nor are all of them subject to the same degree of regulation as a bank or financial holding company, and therefore some of our competitors may not be subject to the same additional capital requirements.

For additional information about our regulatory capital position and our regulatory capital adequacy, as well as current and future regulatory capital requirements, refer to "Capital" in "Financial Condition" in our Management's Discussion and Analysis, and Note 16 to the consolidated financial statements in this Form 10-K.

#### **Total Loss-Absorbing Capacity**

The Federal Reserve has rules on TLAC, LTD and clean holding company requirements for U.S. domiciled G-SIBs, such as us. The requirements are intended to improve the resiliency and resolvability of certain U.S. banking organizations through enhanced prudential standards. The TLAC rule imposes: (1) external TLAC requirements (i.e., combined eligible Tier 1 regulatory capital and LTD); (2) separate external LTD requirements; and (3) clean holding company requirements that impose restrictions on certain types of liabilities and limit non-TLAC related third party liabilities to 5% of external TLAC.

Among other things, the TLAC rule requires us to comply with minimum requirements for external TLAC and external LTD. Specifically, as of January 2022, we must hold

- (1) combined eligible Tier 1 regulatory capital and LTD in the amount equal to the greater of 21.5% of total RWA (18.0% minimum plus a 2.5% capital conservation buffer plus a G-SIB surcharge calculated for these purposes under Method 1 of 1.0% plus any applicable

counter-cyclical buffer, which is currently 0%) and 9.5% of total leverage exposure (7.5% minimum plus the enhanced SLR buffer of 2.0%), as defined by the SLR rule; and

- (2) qualifying external LTD equal to the greater of 7.0% of RWA (6.0% minimum plus a G-SIB surcharge calculated for these purposes under Method 2 of 1.0%) and 4.5% of total leverage exposure, as defined by the SLR rule.

Additionally, effective April 1, 2021, certain large banking organizations, such as us and State Street Bank, are required to make deductions from regulatory capital for investments in certain unsecured debt instruments issued by bank holding companies and U.S. intermediate holding companies of foreign banks that are subject to the Federal Reserve's TLAC and LTD requirements, as well as foreign G-SIBs.

#### **Liquidity Coverage Ratio and Net Stable Funding Ratio**

In addition to capital standards, the Basel III framework introduced two quantitative liquidity standards: the LCR and the NSFR.

We are subject to the rule issued by the U.S. Agencies implementing the BCBS's LCR in the U.S. The LCR is intended to promote the short-term resilience of internationally active banking organizations, like us, 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 HQLA against its net cash outflows under a prescribed stress environment. We report LCR to the Federal Reserve daily and are required to calculate and maintain an LCR that is equal to or greater than 100%. In addition, we publicly disclose certain qualitative and quantitative information about our LCR consistent with the requirements of the Federal Reserve's final rule.

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 investments, resulting in a negative impact on our NII and our NIM. 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. Deposits resulting from certain services provided ("operational deposits") are treated as more resilient during periods of stress than other deposits. As a result, if balances of operational deposits increased relative to our total client deposit base, we would expect to require less HQLA in order to maintain our LCR. Conversely, if balances of

operational deposits decreased relative to our total client deposit base, we would expect to require more HQLA. On May 5, 2020, the U.S. banking agencies issued a rule that modifies the LCR rule to neutralize the impact on LCR of the advances made by the MMLF (and Paycheck Protection Liquidity Facility program) and the exposures securing such advances.

In October 2020, the U.S. Agencies issued a final rule implementing the BCBS's NSFR in the United States. The final rule requires large banking organizations to maintain an amount of available stable funding, which is a weighted measure of a company's funding sources over a one-year time horizon, calculated by applying standardized weightings to the company's equity and liabilities based on their expected stability, that is no less than the amount of required stable funding, which is calculated by applying standardized weightings to assets, derivatives exposures and certain other items based on their liquidity characteristics. As a U.S. G-SIB, we are required to maintain an NSFR that is equal to or greater than 100%. The final rule became effective as of July 1, 2021. The final rule requires us to publicly disclose our quarterly NSFR on a semiannual basis beginning in 2023.

### ***Capital Planning, Stress Tests and Dividends***

Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large bank holding companies, including us, which form part of the Federal Reserve's annual stress testing and capital planning framework. The Federal Reserve conducts its own stress tests of our business operations using supervisory models, referred to as supervisory stress tests, the results of which it uses to calibrate our annual SCB, subject to a minimum of 2.5%. In addition, under the Federal Reserve's capital plan rule, we must conduct periodic stress testing of our business operations and submit an annual capital plan to the Federal Reserve, taking into account the results of separate stress tests designed by us and by the Federal Reserve. The Federal Reserve conducts a qualitative assessment of our capital plan as part of the annual supervisory process known as CCAR, to evaluate the strength of our capital planning practices, including our ability to identify, measure, and determine the appropriate amount of capital for our risks, and controls and governance supporting capital planning.

The Federal Reserve's final rule to integrate its annual capital planning and stress testing requirements with certain ongoing regulatory capital requirements applies to certain bank holding companies, including us. The final rule introduced an SCB and related changes to the capital planning and stress testing processes. The standardized approach SCB equals the greater of (i) 2.5%; and (ii) the maximum decline in our CET1 capital ratio under the

severely adverse scenario over the supervisory stress test measurement period, plus the ratio of (a) the sum of the dollar amount of our planned common stock dividends for the fourth through seventh quarters of the supervisory stress test projection period to (b) our projected RWA for the quarter in which our projected CET1 capital ratio reaches its minimum in the supervisory stress test. Risked-based regulatory capital requirements under the standardized approach include the SCB, as summarized above, as well as our G-SIB capital surcharge and any applicable countercyclical capital buffer.

The final rule made related changes to capital planning and stress testing processes for bank holding companies subject to the SCB requirement. In particular, the final rule assumes that bank holding companies maintain a constant level of assets and RWA throughout the supervisory stress test projection period. In addition, under the final rule the supervisory stress test no longer assumes that bank holding companies make all nine quarters of planned capital distributions under stress, although the SCB incorporates the dollar amount of four quarters of planned common stock dividends, as described above.

The final rule did not change regulatory capital requirements under the advanced approaches, the Tier 1 leverage ratio or the SLR.

Our SCB requirement was 2.5% for the period from October 1, 2020 through September 30, 2021. On June 24, 2021, we were notified by the Federal Reserve of the results from the 2021 supervisory stress test, including our preliminary SCB of 2.5%. Our SCB calculated under the 2021 supervisory stress test was well below the 2.5% minimum, resulting in an SCB at that floor, which went into effect starting October 1, 2021 and which will be effective through September 30, 2022.

Although the final SCB rule changed the effects of the CCAR and supervisory stress test processes so that the SCB, rather than CCAR, is the source of our stress-based capital requirements, we continue to be subject to CCAR's capital plan requirements and the supervisory assessment of our capital planning activities. Under the capital planning requirements, our annual capital plan must include a description of all of our planned capital actions over a nine-quarter planning horizon, including any capital qualifying instruments, any capital distributions, such as payments of dividends on, or repurchases of, our stock, and any similar action that the Federal Reserve determines could affect our consolidated capital. The capital plan must include a discussion of how we will maintain capital above the minimum regulatory capital ratios, including the minimum ratios under the Basel III rule, and serve as a source of strength to State Street Bank under supervisory stress scenarios. Changes in our strategy, merger or acquisition activity

or unanticipated uses of capital could result in a change in our capital plan and its associated capital actions, including capital raises or modifications to planned capital actions, such as repurchases of our stock, and may require resubmission of the capital plan to the Federal Reserve if, among other reasons, we would not meet our regulatory capital requirements after making the proposed capital distribution.

In addition to its stress testing and capital planning requirements, the Federal Reserve has the authority to prohibit or to limit the payment of dividends, the repurchase of common stock, or other capital actions that reduce capital by the banking organizations it supervises, including the Parent Company and State Street Bank, if, in the Federal Reserve's opinion, the capital action would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. All of these policies and other requirements could affect our ability to pay dividends and repurchase our stock or require us to provide capital assistance to State Street Bank and any other banking subsidiary. Our common stock and other stock dividends, including the declaration, timing and amount thereof, remain subject to consideration and approval by our Board of Directors at the relevant times.

In January 2021, our Board authorized a common share repurchase program for the repurchase of up to \$475 million of our common stock through March 31, 2021. We repurchased \$475 million of our common stock in the first quarter of 2021. In April 2021, our Board authorized a common share repurchase program for the repurchase of up to \$425 million of our common stock through June 30, 2021, in compliance with the limit set by the Federal Reserve. We repurchased \$425 million of our common stock in the second quarter of 2021. In July 2021, our Board authorized a share repurchase program for the repurchase of up to \$3.0 billion of our common stock through the end of 2022.

In connection with our planned acquisition of the BBH Investor Services business, we did not repurchase any common stock during the third and fourth quarters of 2021 under the common share repurchase plan approved by our Board in July 2021, and we do not intend to repurchase any common stock during the first quarter of 2022. We intend to resume our common share repurchases during the second quarter of 2022.

In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion. We expect to use these net proceeds to finance our planned acquisition of the BBH Investor Services business.

When permitted, stock purchases may be made using various types of mechanisms, including open market purchases, accelerated share repurchases or transactions off market, and may be made under Rule 10b5-1 trading programs. The timing of stock purchases, types of transactions and number of shares purchased will depend on several factors, including market conditions and State Street's capital positions, financial performance and investment opportunities. Our common stock purchase programs do not have specific price targets and may be suspended at any time. We may employ third-party broker/dealers to acquire shares on the open market in connection with our common stock purchase programs. The common stock purchase program does not have specific price targets and may be suspended at any time.

The Federal Reserve, under the Dodd-Frank Act, previously required us to conduct semi-annual State Street-run stress tests and to publicly disclose the summary results of our State Street-run stress tests under the severely adverse economic scenario. We are also required to undergo an annual supervisory stress test conducted by the Federal Reserve. The EGRRCPA modifies certain aspects of these stress-testing requirements, reducing the number of scenarios in the Federal Reserve's supervisory stress test from three to two and modifying our obligation to perform company-run stress-tests from semi-annually to annually. The Federal Reserve adopted a final rule in October 2019 that, among other things, implemented this modification.

#### ***The Volcker Rule***

We are subject to the Volcker Rule and implementing regulations. The Volcker Rule prohibits banking entities, including us and our affiliates, from engaging in certain prohibited proprietary trading activities, as defined in the Volcker Rule regulations, subject to exemptions for market-making related activities, risk-mitigating hedging, underwriting and certain other activities. The Volcker Rule also requires banking entities to either restructure or divest certain ownership interests in, and relationships with, covered funds (as such terms are defined in the Volcker Rule regulations).

The Volcker Rule regulations require banking entities to establish extensive programs designed to promote compliance with the restrictions of the Volcker Rule. We have established a compliance program that we believe complies with the Volcker Rule regulations as currently in effect. Our compliance program restricts our ability in the future to service certain types of funds, in particular covered funds for which State Street Global Advisors acts as an advisor and certain types of trustee relationships. Consequently, Volcker Rule compliance entails both

the cost of a compliance program and loss of certain revenue and future opportunities.

### **Enhanced Prudential Standards**

The Dodd-Frank Act, as amended by the EGRRCPA, establishes a systemic risk regime to which large bank holding companies with \$100 billion or more in consolidated assets, such as us, are subject. The Federal Reserve is required to tailor the application of the enhanced prudential standards to bank holding companies based on their size, complexity, risk profile and other factors. U.S. G-SIBs, such as us, are expected to remain subject to the most stringent requirements, including heightened capital, leverage, liquidity and risk management requirements and single-counterparty credit limits (SCCL).

The FSOC can recommend prudential standards, reporting and disclosure requirements for SIFIs to the Federal Reserve, and must approve any finding by the Federal Reserve that a financial institution poses a grave threat to financial stability and must undertake mitigating actions. The FSOC is also empowered to designate systemically important payment, clearing and settlement activities of financial institutions, subjecting them to prudential supervision and regulation, and, assisted by the Office of Financial Research within the U.S. Department of the Treasury, can gather data and reports from financial institutions, including us.

Under the Federal Reserve's enhanced prudential standards regulation under the Dodd-Frank Act, as amended by the EGRRCPA, we are required to comply with various liquidity-related risk management standards and maintain a liquidity buffer of unencumbered highly liquid assets based on the results of internal liquidity stress testing. This liquidity buffer is in addition to other liquidity requirements, such as the LCR and the NSFR. The regulations also establish requirements and responsibilities for our risk committee and mandate risk management standards.

In 2018, the Federal Reserve finalized rules that established SCCL for large banking organizations. U.S. G-SIBs, including us, are subject to a limit of 15% of Tier 1 capital for aggregate net credit exposures to any "major counterparty" (defined to include other U.S. G-SIBs, foreign G-SIBs and non-bank SIFIs supervised by the Federal Reserve). In addition, we are subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures to any other unaffiliated counterparty. The final SCCL rules became effective for us on January 1, 2020.

The Federal Reserve has established a rule that imposes contractual requirements on certain "qualified financial contracts" to which U.S. G-SIBs, including us, and their subsidiaries are parties. Under the rule, certain qualified financial contracts generally must expressly provide that transfer restrictions and

default rights against a U.S. G-SIB, or subsidiary of a U.S. G-SIB, are limited to the same extent as they would be under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Act and their implementing regulations. In addition, certain qualified financial contracts may not, among other things, permit the exercise of any cross-default right against a U.S. G-SIB or subsidiary of a U.S. G-SIB based on an affiliate's entry into insolvency, resolution or similar proceedings, subject to certain creditor protections.

The systemic-risk regime also provides that for U.S. G-SIBs deemed to pose a grave threat to U.S. financial stability, the Federal Reserve, upon an FSOC vote, must limit that institution's ability to merge, restrict its ability to offer financial products, require it to terminate activities, impose conditions on activities or, as a last resort, require it to dispose of assets. Upon a grave threat determination by the FSOC, the Federal Reserve must issue rules that require financial institutions subject to the systemic-risk regime to maintain a debt-to-equity ratio of no more than 15 to 1 if the FSOC considers it necessary to mitigate the risk of the grave threat. The Federal Reserve also has the ability to establish further standards, including those regarding contingent capital, enhanced public disclosures and limits on short-term debt, including off-balance sheet exposures.

### **Recovery and Resolution Planning**

Under Section 165(d) of the Dodd-Frank Act, we are required to submit a resolution plan on a biennial basis jointly to the Federal Reserve and the FDIC (the Agencies). The purpose of our resolution plan is to describe our preferred resolution strategy and to demonstrate that we have the resources and capabilities to execute on that strategy in the event of major financial distress. Through resolution planning, we seek to maintain our role as a key infrastructure provider within the financial system, while minimizing risk to the financial system.

The final rule requires a full resolution plan and a targeted resolution plan on an alternating basis in the relevant submission years. We submitted our updated 2021 targeted 165(d) resolution plan by July 1, 2021. The targeted resolution plan included the core elements of resolution planning and some specific firm level information about the impact of the COVID-19 pandemic on resolution planning. In addition, actions taken to remediate the 2019 shortcoming related to the implementation of governance mechanisms were included in the plan. Our next full resolution plan is due July 1, 2023.

In the event of material financial distress, our preferred resolution strategy is the Single Point of Entry (SPOE) Strategy. The SPOE Strategy provides that prior to the bankruptcy of the Parent Company and pursuant to a support agreement among the

Parent Company, SSIF (a direct subsidiary of the Parent Company), our Beneficiary Entities (as defined below) and certain of our other entities, SSIF is obligated, up to its available resources, to recapitalize and/or provide liquidity to State Street Bank and the other entities benefiting from such capital and/or liquidity support (collectively with State Street Bank, "Beneficiary Entities"), in amounts designed to prevent the Beneficiary Entities from themselves entering into resolution proceedings. Following the recapitalization of, or provision of liquidity to the Beneficiary Entities, the Parent Company would enter into a bankruptcy proceeding under the U.S. Bankruptcy Code. The Beneficiary Entities and our other subsidiaries would be transferred to a newly organized holding company held by a reorganization trust for the benefit of the Parent Company's claimants.

Under the support agreement, the Parent Company pre-funded SSIF by contributing certain of its assets (primarily its liquid assets, cash deposits, investments in intercompany debt, investments in marketable securities and other cash and non-cash equivalent investments) to SSIF at the time it entered into the support agreement and will continue to contribute such assets, to the extent available, on an ongoing basis. In consideration for these contributions, SSIF has agreed in the support agreement to provide capital and liquidity support to the Parent Company and all of the Beneficiary Entities in accordance with the Parent Company's capital and liquidity policies. Under the support agreement, the Parent Company is only permitted to retain cash needed to meet its upcoming obligations and to fund expected expenses during a potential bankruptcy proceeding. SSIF has provided the Parent Company with a committed credit line and issued (and may issue) one or more promissory notes to the Parent Company (the "Parent Company Funding Notes") that together are intended to allow the Parent Company to continue to meet its obligations throughout the period prior to the occurrence of a "Recapitalization Event", which is defined as the earlier occurrence of: (1) one or more capital and liquidity thresholds being breached or (2) the authorization by the Parent Company's Board of Directors for the Parent Company to commence bankruptcy proceedings. The support agreement does not obligate SSIF to maintain any specific level of resources and SSIF may not have sufficient resources to implement the SPOE Strategy.

In the event a Recapitalization Event occurs, the obligations outstanding under the Parent Company Funding Notes would automatically convert into or be exchanged for capital contributed to SSIF. The obligations of the Parent Company and SSIF under the support agreement are secured through a security agreement that grants a lien on the assets that the

Parent Company and SSIF would use to fulfill their obligations under the support agreement to the Beneficiary Entities. SSIF is a distinct legal entity separate from the Parent Company and the Parent Company's other affiliates.

In accordance with our policies, we are required to monitor, on an ongoing basis, the capital and liquidity needs of State Street Bank and our other Beneficiary Entities. To support this process, we have established a trigger framework that identifies key actions that would need to be taken or decisions that would need to be made if certain events tied to our financial condition occur. The trigger thresholds are set at levels intended to provide for the availability of sufficient capital and liquidity to enable an orderly resolution without extraordinary government support that results in us emerging from resolution as a stabilized institution with market confidence restored.

Upon the occurrence of a Recapitalization Event: (1) SSIF would not be authorized to provide any further liquidity to the Parent Company; (2) the Parent Company would be required to contribute to SSIF any remaining assets it is required to contribute to SSIF under the support agreement (which specifically exclude amounts designated to fund expected expenses during a potential bankruptcy proceeding); (3) SSIF would be required to provide capital and liquidity support to the Beneficiary Entities to support such entities' continued operation to the extent of its available resources and consistent with the support agreement; and (4) the Parent Company would be expected to commence Chapter 11 proceedings under the U.S. Bankruptcy Code. No person or entity, other than a party to the support agreement, should rely on any of our affiliates being or remaining a Beneficiary Entity or receiving capital or liquidity support pursuant to the support agreement, including in evaluating any of our entities from a creditor's perspective or determining whether to enter into a contractual relationship with any of our entities.

State Street Bank is also required to submit periodically to the FDIC a plan for resolution in the event of its failure, referred to as an IDI plan. We submitted our last IDI plan before July 1, 2018. In November 2018, the FDIC had announced that until the FDIC completed revisions to its IDI plan requirements, no IDI plans would be required to be filed. On June 25, 2021, the FDIC issued a policy statement on resolution plans for IDIs that allows for content streamlining and adjusts the frequency of submissions to a three-year cycle. State Street Bank's next IDI plan submission deadline will be December 1, 2023.

Additionally, we are required to submit a recovery plan to the Federal Reserve. This plan includes detailed governance triggers and contingency actions that can be implemented in a

timely manner in the event of extreme financial distress in those entities. We also have recovery planning requirements in certain international jurisdictions where we operate.

### **Orderly Liquidation Authority**

Under the Dodd-Frank Act, certain financial companies, including bank holding companies such as the Parent Company, and certain covered subsidiaries, can be subjected to the orderly liquidation authority, which went into effect in 2010. For the FDIC to be appointed as our receiver, two-thirds of the FDIC Board and two-thirds of the Federal Reserve Board must recommend appointment, and the U.S. Treasury Secretary, in consultation with the U.S. President, must then make certain extraordinary financial distress and systemic risk determinations. Absent such actions, we, as a bank holding company, would remain subject to the U.S. Bankruptcy Code.

The orderly liquidation authority went into effect in 2010, and rulemaking is proceeding incrementally, with some regulations now finalized and others planned but not yet proposed. If the FDIC were appointed as the receiver of the Parent Company pursuant to the orderly liquidation authority, the FDIC would have considerable powers to resolve the Parent Company, including: (1) the power to remove officers and directors responsible for the Parent Company's failure and to appoint new directors and officers; (2) the power to assign assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; (3) the ability to differentiate among similarly situated creditors, subject to a minimum recovery right to receive at least what they would have received in bankruptcy liquidation; and (4) broad powers to administer the claims process to determine distributions from the assets of the receivership to creditors not transferred to a third party or bridge financial institution.

In 2013, the FDIC released its proposed SPOE strategy for resolution of a SIFI under the orderly liquidation authority. The FDIC's release outlines how it would use its powers under the orderly liquidation authority to resolve a SIFI by placing its top-tier U.S. holding company in receivership and keeping its operating subsidiaries open and out of insolvency proceedings by transferring the operating subsidiaries to a new bridge holding company, recapitalizing the operating subsidiaries and imposing losses on the shareholders and creditors of the holding company in receivership according to their statutory order of priority.

### **Derivatives**

Title VII of the Dodd-Frank Act imposed a comprehensive regulatory structure on the OTC derivatives market, including requirements for clearing, exchange trading, capital, margin, reporting

and record-keeping. Title VII also requires certain persons to register as a major swap participant, a swap dealer or a securities-based swap dealer. The CFTC, the SEC, and other U.S. regulators have largely implemented key provisions of Title VII, although certain final regulations have only been in place a short period of time and others have not been finalized. Through this rulemaking process, these regulators collectively have adopted or proposed, among other things, regulations relating to reporting and record-keeping obligations, margin and capital requirements, the scope of registration and the central clearing and exchange trading requirements for certain OTC derivatives. The CFTC has also issued rules to enhance the oversight of clearing and trading entities. The CFTC, along with other regulators, including the Federal Reserve, have also issued rules with respect to margin requirements for uncleared derivatives transactions.

State Street Bank has registered provisionally with the CFTC as a swap dealer. As a provisionally registered swap dealer, State Street Bank is subject to significant regulatory obligations regarding its swap activity and the supervision, examination and enforcement powers of the CFTC and other regulators. The CFTC has granted State Street Bank a limited-purpose swap dealer designation. Under this limited-purpose designation, interest rate swap activity conducted by State Street Bank's Global Treasury group is not subject to certain of the swap regulatory requirements otherwise applicable to swaps entered into by a registered swap dealer, subject to a number of conditions. For all other swap transactions, our swap activities remain subject to all applicable swap dealer regulations.

### **Subsidiaries**

The Federal Reserve is the primary federal banking agency responsible for regulating us and our subsidiaries, including State Street Bank, with respect to both our U.S. and non-U.S. operations. Our banking subsidiaries are subject to supervision and examination by various regulatory authorities and have regulatory requirements that may differ from State Street Corporation.

### *State Street Bank*

State Street Bank is a member of the Federal Reserve System, its deposits are insured by the FDIC and it is subject to applicable federal and state banking laws and to supervision and examination by the Federal Reserve, as well as by the Massachusetts Commissioner of Banks, the FDIC, and the regulatory authorities of those states and countries in which State Street Bank operates a branch.

As with the Parent Company, State Street Bank is considered an advanced approaches banking organization subject to the Basel III framework in the

U.S. and is also subject to the market risk capital rule jointly issued by U.S. Agencies to implement the changes to the market risk capital framework in the U.S. As required by the Dodd-Frank Act, State Street Bank, as an advanced approaches banking organization, is subject to a "capital floor," also referred to as the Collins Amendment, in the assessment of its regulatory capital adequacy, including the capital conservation buffer and countercyclical capital buffer described above in this "Supervision and Regulation" section.

Under the Basel III rule, State Street Bank's regulatory capital calculations, including any additions or deductions from capital for regulatory purposes, are consistent with the calculations of the Parent Company.

Similar to our Parent Company, State Street Bank is subject to the Tier 1 leverage ratio and the supplementary leverage ratio. However, as State Street Bank is the insured depository institution subsidiary of one of the eight U.S. G-SIBs, it is required to maintain a minimum Tier 1 leverage ratio of 5% and a minimum SLR of 6% to be considered well capitalized.

Furthermore, for the purposes of calculating the SLR, State Street Bank is similarly subject to a final rule adopted by the U.S. Agencies that excludes central bank deposits from a custodial banking organization's total leverage exposure. For the quarter ended December 31, 2021, State Street Bank excluded \$84.1 billion of average balances held on deposit at central banks from the denominator used in the calculation of our SLR based on this custodial banking exclusion.

Pursuant to the BCBS's NSFR final rule, as a subsidiary of a U.S. G-SIB, State Street Bank is similarly required to maintain an NSFR that is equal to or greater than 100%.

We and our subsidiaries that are not subsidiaries of State Street Bank are affiliates of State Street Bank under federal banking laws, which impose restrictions on various types of transactions, including loans, extensions of credit, investments or asset purchases by or from State Street Bank, on the one hand, to us and those of our subsidiaries, on the other. Transactions of this kind between State Street Bank and its affiliates generally are limited with respect to each affiliate to 10% of State Street Bank's capital and surplus, as defined by the aforementioned banking laws, are limited in the aggregate for all affiliates to 20% of State Street Bank's capital and surplus, and in some cases are also subject to strict collateral requirements. Derivatives, securities borrowing and securities lending transactions between State Street Bank and its affiliates became subject to these restrictions pursuant to the Dodd-Frank Act. The Dodd-Frank Act also expanded the scope of transactions required to be collateralized. In

addition, the Volcker Rule generally prohibits similar transactions between the Parent Company or any of its affiliates and covered funds for which we or any of our affiliates serve as the investment manager, investment adviser, commodity trading advisor or sponsor and other covered funds organized and offered pursuant to specific exemptions in the Volcker Rule regulations.

Federal law also requires that certain transactions by a bank with affiliates be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions involving other non-affiliated companies. Alternatively, in the absence of comparable transactions, the transactions must be on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, non-affiliated companies.

State Street Bank is also prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or lease or sale of property or furnishing of services. Federal law provides for a depositor preference on amounts realized from the liquidation or other resolution of any depository institution insured by the FDIC.

#### *Other Subsidiaries*

Our other subsidiary trust companies are subject to supervision and examination by the OCC, the Federal Reserve or by the appropriate state banking regulatory authorities of the states in which they are organized and operate. Our non-U.S. banking subsidiaries, and other subsidiaries involved in our investment servicing business, are subject to regulation by the financial regulatory authorities of the jurisdictions in which they operate. Our subsidiaries involved in our investment management and securities and markets businesses are regulated by governments, securities exchanges, self-regulatory organizations, central banks and regulatory bodies in U.S. federal and state and non-U.S. jurisdictions, especially in those jurisdictions in which we maintain an office.

Many aspects of our investment management activities are subject to U.S. federal and state, as well as non-U.S., laws and regulations primarily intended to benefit the investment holder, rather than our shareholders. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict us from conducting our investment management activities in the event that we fail to comply with such laws and regulations, and examination authority. Our business related to investment management and trusteeship of collective trust funds and separate accounts offered to employee benefit plans is subject to the Employee Retirement Income Security Act (ERISA), and is regulated by the U.S. DOL.

The majority of our non-U.S. asset servicing operations are conducted pursuant to the Federal Reserve's Regulation K through State Street Bank's Edge Act subsidiary or through international branches of State Street Bank. An Edge Act corporation is a corporation organized under federal law that conducts foreign business activities. In general, banks may not make investments in their Edge Act corporations (and similar state law corporations) that exceed 20% of their capital and surplus, as defined in the relevant banking regulations, and the investment of any amount in excess of 10% of capital and surplus requires the prior approval of the Federal Reserve.

In addition to our non-U.S. operations conducted pursuant to Regulation K, we also make new investments abroad directly (through us or through our non-banking subsidiaries) pursuant to the Federal Reserve's Regulation Y, or through international bank branch expansion, neither of which is subject to the investment limitations applicable to Edge Act subsidiaries.

Additionally, Massachusetts has its own bank holding company statute, under which we, among other things, may be required to obtain prior approval by the Massachusetts Board of Bank Incorporation for an acquisition of more than 5% of any additional bank's voting shares, or for other forms of bank acquisitions.

### **Anti-Money Laundering and Financial Transparency**

We and certain of our subsidiaries are subject to the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, and related regulations, which contain AML and financial transparency provisions and which require implementation of an AML compliance program, including processes for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. AML laws outside the U.S. contain similar requirements. We have implemented policies, procedures and internal controls that are designed to promote compliance with applicable AML laws and regulations. AML laws and regulations applicable to our operations may be more stringent than similar requirements applicable to our non-regulated competitors or financial institutions principally operating in other jurisdictions. Compliance with applicable AML and related requirements is a common area of review for financial regulators, and any failure by us to comply with these requirements could result in fines, penalties, lawsuits, regulatory sanctions, difficulties in obtaining governmental approvals, restrictions on our business activities or harm to our reputation.

### **Deposit Insurance**

The Dodd-Frank Act made permanent the general \$250,000 deposit insurance limit for insured

deposits. The FDIC's Deposit Insurance Fund (DIF) is funded by assessments on FDIC-insured depository institutions. The FDIC assesses DIF premiums based on an insured depository institution's average consolidated total assets, less the average tangible equity of the insured depository institution during the assessment period. For larger institutions, such as State Street Bank, assessments are determined based on regulatory ratings and forward-looking financial measures to calculate the assessment rate, which is subject to adjustments by the FDIC, and the assessment base.

The FDIC is required to determine whether and to what extent adjustments to the assessment base are appropriate for "custody banks" that satisfy specified institutional eligibility criteria. The FDIC has concluded that certain liquid assets could be excluded from the deposit insurance assessment base of custody banks. This has the effect of reducing the amount of DIF insurance premiums due from custody banks. State Street Bank qualifies as a custody bank for this purpose. The custody bank assessment adjustment may not exceed total transaction account deposits identified by the institution as being directly linked to a fiduciary or custody and safekeeping asset.

### **Prompt Corrective Action**

The FDIC Improvement Act of 1991 requires the appropriate federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards, including minimum capital ratios. While these regulations apply only to banks, such as State Street Bank, the Federal Reserve is authorized to take appropriate action against a parent bank holding company, such as our Parent Company, based on the under-capitalized status of any banking subsidiary. In certain instances, we would be required to guarantee the performance of a capital restoration plan if one of our banking subsidiaries were undercapitalized.

### **Support of Subsidiary Banks**

Under Federal Reserve regulations, a bank holding company such as our Parent Company is required to act as a source of financial and managerial strength to its banking subsidiaries. This requirement was added to the Federal Deposit Insurance Act by the Dodd-Frank Act. This means that we have a statutory obligation to commit resources to State Street Bank and any other banking subsidiary in circumstances in which we otherwise might not do so absent such a requirement. In the event of bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of a banking subsidiary will be assumed by the bankruptcy trustee and will be entitled to a priority payment.

## **Insolvency of an Insured U.S. Subsidiary Depository Institution**

If the FDIC is appointed the conservator or receiver of an FDIC-insured U.S. subsidiary depository institution, such as State Street Bank, upon its insolvency or certain other events, the FDIC has the ability to transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors, enforce the terms of the depository institution's contracts pursuant to their terms or repudiate or disaffirm contracts or leases to which the depository institution is a party. Additionally, the claims of holders of deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded priority over other general unsecured claims against such an institution, including claims of debt holders of the institution and, under current interpretation, depositors in non-U.S. branches and offices, in the liquidation or other resolution of such an institution by any receiver. As a result, such persons would be treated differently from and could receive, if anything, substantially less than the depositors in U.S. offices of the depository institution.

## **Cyber Risk Management**

In October 2016, the Federal Reserve, FDIC and OCC issued an advance notice of proposed rulemaking regarding enhanced cyber risk management standards, which would apply to a wide range of large financial institutions and their third-party service providers, including us and our banking subsidiaries. The proposed standards would expand existing cybersecurity regulations and guidance to focus on cyber risk governance and management; management of internal and external dependencies; and incident response, cyber resilience and situational awareness. In addition, the proposal contemplates more stringent standards for institutions with systems that are critical to the financial sector. Although the FDIC and OCC in 2019 each withdrew the advance notice of proposed rulemaking, the Federal Reserve has not withdrawn the advance notice and may still propose such a rule.

Separately, the Federal Reserve, FDIC and OCC finalized a rule in November 2021 requiring banking organizations to notify their primary federal regulators within 36 hours after identifying a "computer-security incident" that has materially affected, or is reasonably likely to materially affect, the viability of their operations, their ability to deliver banking products and services or the stability of the financial sector. The final rule will become effective April 1, 2022.

Further discussion of cybersecurity risk management is provided in "Information Technology

Risk Management" included in our Management's Discussion and Analysis in this Form 10-K.

## **ECONOMIC CONDITIONS AND GOVERNMENT POLICIES**

Economic policies of the U.S. government and its agencies influence our operating environment. Monetary policy conducted by the Federal Reserve directly affects the level of interest rates, which may affect overall credit conditions of the economy. Monetary policy is applied by the Federal Reserve through open market operations in U.S. government securities, changes in reserve requirements for depository institutions, and changes in the discount rate and availability of borrowing from the Federal Reserve. Government regulation of banks and bank holding companies is intended primarily for the protection of depositors of the banks, rather than for the shareholders of the institutions and therefore may, in some cases, be adverse to the interests of those shareholders. We are similarly affected by the economic policies of non-U.S. government agencies, such as the ECB.

## **STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES**

The following information included under Items 7 and 8 in this Form 10-K, is incorporated by reference herein:

"Overview of Financial Results" table (Item 7) - presents return on average common equity, return on average assets, common dividend payout and equity-to-assets ratios.

"Distribution of Average Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential" table (Item 8) - presents consolidated average balance sheet amounts, related fully taxable-equivalent interest earned and paid, related average yields and rates paid and changes in fully taxable-equivalent interest income and interest expense for each major category of interest-earning assets and interest-bearing liabilities.

"Investment Securities" section included in our Management's Discussion and Analysis (Item 7) and Note 3, "Investment Securities," to the consolidated financial statements (Item 8) - disclose information regarding book values, market values, maturities and weighted-average yields of securities (by category).

"Loans" section included in our Management's Discussion and Analysis (Item 7) and Note 4, "Loans," to the consolidated financial statements (Item 8) - disclose our policy for placing loans on non-accrual status and distribution of loans, loan maturities and sensitivities of loans to changes in interest rates.

"Loans" and "Cross-Border Outstandings" sections of Management's Discussion and Analysis (Item 7) - disclose information regarding our cross-border outstandings and other loan concentrations.

“Credit Risk Management” section included in Management’s Discussion and Analysis (Item 7) and Note 4, “Loans,” to the consolidated financial statements (Item 8) - present the allocation of the allowance for credit losses, and a description of factors which influenced management’s judgment in determining amounts of additions or reductions to the allowance, if any, charged or credited to results of operations.

“Distribution of Average Assets, Liabilities and Shareholders’ Equity; Interest Rates and Interest Differential” table (Item 8) - discloses deposit information.

Note 8, “Short-Term Borrowings,” to the consolidated financial statements (Item 8) - discloses information regarding our short-term borrowings.

## **ITEM 1A. RISK FACTORS**

### **Risk Factors**

In the normal course of our business activities, we are exposed to a variety of risks. The following is a discussion of material risk factors applicable to us. Additional information about our risk management framework is included under “Risk Management” in Management’s Discussion and Analysis in this Form 10-K. Additional risks beyond those described in our Management’s Discussion and Analysis or in the following discussion may apply to our activities or operations as currently conducted, or as we may conduct them in the future, or in the markets in which we operate or may in the future operate.

### **Strategic Risks**

**Consummation of our planned 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 delay the consummation of the acquisition.**

On September 7, 2021, we announced that we had entered into a definitive agreement with BBH to acquire the BBH Investor Services business, including its custody, accounting, fund administration, global markets and technology services for \$3.5 billion in cash, subject to customary adjustments. The transaction is subject to the receipt of regulatory approvals and the satisfaction or waiver of other closing conditions. The regulatory review is taking longer than we initially anticipated. We cannot provide any assurance that all necessary regulatory approvals will be obtained, as to the timing of such regulatory approvals, or that the challenging political and regulatory environment will not make such reviews longer and more uncertain, nor can we provide any assurance that all of the other closing conditions will be satisfied or waived. The failure to obtain necessary regulatory approvals or the failure to satisfy some or delay in obtaining, all of the other

required conditions could delay the completion of the acquisition for a significant period of time, require it to be modified, or prevent it from occurring.

**Even if we successfully consummate our planned acquisition of the BBH Investor Services business, we may fail to realize some or all of the anticipated benefits of the transaction or the benefits may take longer to realize than expected.**

Our ability to realize the anticipated benefits of the planned acquisition will depend, to a large extent, on our ability to integrate the BBH Investor Services business into our business and realize anticipated growth opportunities and cost synergies. The integration of the BBH Investor Services business into our business will be a complex, costly and time-consuming process, is subject to delay or change, and our management may face significant challenges in implementing that integration, including, without limitation, challenges related to:

- retaining the business and revenue from the BBH Investor Services business's current clients, many of which have the right to consent to transfer their business to State Street or to transition their business to another provider on short notice;
- integrating the BBH Investor Services business's software solutions, including its Infomediary communication platform, with our existing products and services and cross-selling our comprehensive suite of products and services, including State Street Alpha, to clients of the BBH Investor Services business;
- achieving the anticipated cost and revenue synergies from the combination of the BBH Investor Services business with State Street;
- managing systems, operational and business complexities and costs associated with combining two different global securities servicing platforms, including maintaining service consistency, information security, business continuity and compliance, and controlling operational risks associated with large-scale technology conversions; and
- transitioning the BBH Investor Services business's senior management team of investment service partners into roles within our larger company and retaining other key employees of the BBH Investor Services business.

Any delay or failure in achieving any of the foregoing could materially adversely impact the expected benefits of the acquisition.

**We are subject to intense competition in all aspects of our business, which could negatively affect our ability to maintain or increase our profitability.**

The markets in which we operate across all facets of our business are both highly competitive and global. These markets are changing as a result of new and evolving laws and regulations applicable to financial services institutions. Regulatory-driven market changes cannot always be anticipated, and may adversely affect the demand for, and profitability of, the products and services that we offer. In addition, new market entrants and competitors may address or influence changes in the markets more rapidly than we do, may have materially greater resources to invest in infrastructure and product development than we do, or may provide clients with a more attractive or cost-efficient offering of products and services, adversely affecting our business. Our efforts to develop and market new products, particularly in the “Fintech” sector including through State Street Digital and State Street Alpha, may position us in new markets with pre-existing competitors with strong market position. We have also experienced, and anticipate that we will continue to experience, significant pricing pressure in many of our core businesses, particularly our custodial and investment management services. This pricing pressure has and may continue to impact our revenue growth and operational margins and may limit the positive impact of new client demand and growth in AUC/A. Many of our businesses compete with other domestic and international banks and financial services companies, such as custody banks, investment advisors, broker/dealers, outsourcing companies, information providers, data analytics and processing companies. Further consolidation within the financial services industry could also pose challenges to us in the markets we serve, including potentially increased downward pricing pressure across our businesses.

Some of our competitors, including our competitors in core services, have substantially greater capital resources than we do, are not subject to as stringent capital or other regulatory requirements as we are, or may not be as constrained as we are by these requirements due to the relative size of our balance sheet. In some of our businesses, we are service providers to significant competitors. These competitors are in some instances significant clients, and the retention of these clients involves additional risks, such as the avoidance of actual or perceived conflicts of interest and the maintenance of high levels of service quality and intra-company confidentiality. The ability of a competitor to offer comparable or improved products or services at a lower price would likely negatively affect our ability to maintain or increase our

profitability. Many of our core services are subject to contracts that have relatively short terms or may be terminated by our client after a short notice period. In addition, pricing pressures as a result of the activities of competitors, client pricing reviews, and rebids, as well as the introduction of new products, may result in a reduction in the prices we can charge for our products and services.

**We are subject to variability in our assets under custody and/or administration and assets under management, and in our financial results, due to the significant size of our relationship with many of our institutional clients, and are also subject to significant pricing pressure due to trends in the market for custodial services and the considerable market influence exerted by those clients.**

Our clients include institutional investors, such as mutual funds, collective investment funds, UCITS, hedge funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. In both our asset servicing and asset management businesses, we endeavor to attract institutional investors controlling large and diverse pools of assets, as those clients typically have the opportunity to benefit from the full range of our expertise and service offerings. Due to the large pools of assets controlled by these clients, the loss or gain of one client, or even a portion of the assets controlled by one client, or a client's decision to in-source certain services that we provide, could have a significant effect on our AUC/A or our AUM, as applicable, in the relevant period. Loss of all or a portion of the servicing of a client's assets can occur for a variety of reasons. For example, as a result of a decision to diversify providers, one of our large asset servicing clients has advised us it expects to move a significant portion of its ETF assets currently with State Street to one or more other providers, pending necessary approvals. The transition is expected to begin in 2022, but will principally occur in 2023 and 2024. For the year ended December 31, 2021, the fee revenue associated with the transitioning assets represented approximately 1.9% of our total fee revenue. Our AUM or AUC/A are also affected by decisions by institutional owners to favor or disfavor certain investment instruments or categories. Similarly, if one or more clients change the asset class in which a significant portion of assets are invested (e.g., by shifting investments from emerging markets to the U.S.), those changes could have a significant effect on our results of operations in the relevant period, as our fee rates often change based on the type of asset classes we are servicing or managing. As our fee revenue is significantly impacted by our levels of AUC/A and AUM, changes in levels of different asset classes could have a corresponding significant effect on our results of operations in the relevant period. Large institutional clients also, by their nature, are often able to exert considerable market influence, and

this, combined with strong competitive forces in the markets for our services, has resulted in, and may continue to result in, significant pressure to reduce the fees we charge for our services in both our asset servicing and asset management lines of business. Our strategy of focusing our efforts on the segments of the market for investor services represented by very large asset managers and asset owners causes us to be particularly impacted by this industry trend. Many of these large clients are also under competitive and regulatory pressures that are driving them to manage the expenses that they and their investment products incur more aggressively, which in turn exacerbates their pressures on our fees.

**Development and completion of new products and services, including State Street Digital or State Street Alpha, may impose costs on us, involve dependencies on third parties and may expose us to increased operational and model risk.**

Our financial performance depends, in part, on our ability to develop and market new and innovative services and to adopt or develop new technologies that differentiate our products or provide cost efficiencies, while avoiding increased related expenses. This dependency is exacerbated in the current “FinTech” environment, where financial institutions are investing significantly in evaluating new technologies, such as distributed ledger technology (“Blockchain”), and developing potentially industry-changing products, services and standards. For example, in 2018, we acquired CRD, and are leveraging the capabilities acquired to create State Street Alpha by combining with offerings from our Investment Servicing business line. Similarly, in 2021, we established State Street Digital to focus on the development of digital assets and technologies. The introduction of new products and services can require significant time and resources, including regulatory approvals and the development and implementation of technical data management, control and model validation requirements and effective security and resiliency elements. New products and services, such as State Street Digital and State Street Alpha, often also involve dependencies on third parties to, among other things, access innovative technologies, develop new distribution channels or form collaborative product and service offerings, and can require complex strategic alliances and joint venture relationships. Substantial risks and uncertainties are associated with the introduction of new products and services, strategic alliances and joint ventures, including rapid technological change in the industry, our ability to access technical, data and other information from our clients, significant and ongoing investments required to bring new products and services to market in a timely manner at competitive prices, sharing of benefits in those relationships, conflicts with existing business partners and clients,

protection of intellectual property, the competition for employees with the necessary expertise and experience and sales and other materials that fully and accurately describe the product or service and its underlying risks and are compliant with applicable regulations. New products or services may fail to operate or perform as expected and may not be suitable for the intended client or may not produce anticipated efficiencies, savings or benefits for either the client or us. Our failure to manage these risks and uncertainties also exposes us to enhanced risk of operational lapses, which may result in the recognition of financial statement liabilities. Regulatory and internal control requirements, capital requirements, competitive alternatives, vendor relationships and shifting market preferences may also determine if such initiatives can be brought to market in a manner that is timely and attractive to our clients. Failure to successfully manage all of the above risks in the development and implementation of new products or services, including completion of State Street Alpha, could have a material adverse effect on our business and reputation, consolidated results of operations or financial condition.

**Our business may be negatively affected by our failure to update and maintain our technology infrastructure.**

In order to maintain and grow our business, we must make strategic decisions about our current and future business plans and effectively execute upon those plans. Strategic initiatives that we are currently developing or executing against include cost initiatives, enhancements and efficiencies to our operational processes, improvements to existing and new service offerings, targeting for sales growth certain segments of the markets for investor services and asset management, and enhancements to existing and development of new information technology and other systems. Implementing strategic programs and creating cost efficiencies involves certain strategic, technological and operational risks. Many features of our present initiatives include investment in systems integration and new technologies and also the development of new, and the evolution of existing, methods and tools to accelerate the pace of innovation, the introduction of new services and enhancements to the resiliency of our systems and operations. These initiatives also may result in increased or unanticipated costs or earnings volatility, may take longer than anticipated to implement and may result in increases in operating losses, inadvertent data disclosures or other operating errors. In implementing these programs, we may have material dependencies on third parties. The transition to new operating processes and technology infrastructure may also cause disruptions in our relationships with clients and employees or loss of institutional understanding and may present other

unanticipated technical or operational hurdles. In addition, the relocation to or expansion of servicing activities and other operations in different geographic regions or vendors may entail client, regulatory and other third party data use, storage and security challenges, as well as other regulatory compliance, business continuity and other considerations. As a result, we may not achieve some or all of the anticipated cost savings or other benefits and may experience unanticipated challenges from clients, regulators or other parties or reputational harm. In addition, some systems development initiatives may not have access to significant resources or management attention and, consequently, may be delayed or unsuccessful. Many of our systems require enhancements to meet the requirements of evolving regulation, to enhance security and resiliency and decommission obsolete technologies, to permit us to optimize our use of capital or to reduce the risk of operating error. In addition, the implementation of our State Street Alpha platform and integration of CRD requires substantial systems development and expense. We may not have the resources to pursue all of these objectives simultaneously.

**The COVID-19 pandemic continues to create significant risks and uncertainties for our business.**

The extent to which the COVID-19 pandemic continues to impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios and other regulatory requirements in the United States and internationally, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness of our work from home arrangements and staffing levels in operational facilities, challenges associated with our return to office plans such as maintaining a safe office environment and integrating and engaging at-home and in-office staff, the impact of market participants on which we rely, actions taken by governmental authorities and other third parties in response to the pandemic and the impact of equity market valuations and extended sales and implementation cycles for some clients on our service and management fee revenue.

While global economic pressures related to the COVID-19 pandemic have moderated, the pandemic continues to create economic uncertainty which may lead to negative future impacts to the global economy, cause fluctuations in equity market valuations, decrease liquidity in fixed income markets, or create volatility and disruption in financial markets. Any such impacts may lead to renewed outsized demands on our transaction processing capabilities in our asset servicing business and volatility in our foreign exchange and asset management businesses. New market and economic uncertainty

could also increase the risks inherent in our activities as a credit provider to investment pools and other institutional investors and cause us to increase our provision for credit losses. In addition, our and other market participants' reliance upon work from home capabilities in light of the pandemic, and the potential inability to maintain critical staff in our operational facilities, including facilities in the United States, the United Kingdom, Germany, China, India and Poland, present risks associated with our and local infrastructure, increasingly restrictive local regulations, illness, quarantine, the sustainability of a work from home environment and increased risk of cybersecurity attacks. Any material or extended disruption of our ability to deliver services or meet our responsibilities in the settlement of securities or other market activities is likely to result in operating losses, loss of revenue or penalties under our service contracts which may have a material adverse impact on our results of operation and financial condition. New pressures on the global economy are also arising from ongoing disruptions to global supply chains and material shifts in employment trends and may drive negative impacts on our business. In particular, trends related to staff retention have created heightened concerns around talent management. Our success depends, in large part, on our ability to attract and retain key people. The unintended loss of services of key personnel and other staff could have a material adverse impact on our business because of loss of skills, knowledge of our markets, operations and clients, years of industry experience, sufficient talent to meet client demand and growth and the difficulty of replacing talent in the current market conditions. In addition, as we have moved business into emerging markets (e.g., China, India, and Poland), increased turnover and salary competition in these locations may lead to heightened risk and costs.

**Acquisitions, strategic alliances, joint ventures and divestitures pose risks for our business.**

As part of our business strategy, we acquire complementary businesses and technologies, enter into strategic alliances and joint ventures and divest portions of our business. We undertake transactions of varying sizes to, among other reasons, expand our geographic footprint, access new clients, distribution channels, technologies or services, develop closer or more collaborative relationships with our business partners, efficiently deploy capital or leverage cost savings or other business or financial opportunities. We may not achieve the expected benefits of these transactions, which could result in increased costs, lowered revenues, ineffective deployment of capital, regulatory concerns, exit costs or diminished competitive position or reputation.

Transactions of this nature also involve a number of risks and financial, accounting, tax, regulatory, strategic, managerial, operational, cultural and employment challenges, which could adversely

affect our consolidated results of operations and financial condition. For example, the businesses that we acquire or our strategic alliances or joint ventures may under-perform relative to the price paid or the resources committed by us; we may not achieve anticipated revenue growth or cost savings; or we may otherwise be adversely affected by acquisition-related charges. The intellectual property of an acquired business may be an important component of the value that we agree to pay for it. However, such acquisitions are subject to the risks that the acquired business may not own the intellectual property that we believe we are acquiring, that the intellectual property is dependent on licenses from third parties, that the acquired business infringes on the intellectual property rights of others, that the technology does not have the acceptance in the marketplace that we anticipated or that the technology requires significant investment to remain competitive. Similarly, such acquisitions present risks on our ability to retain the acquired talent, which may be essential to achieve our objectives in the acquisition. The integration of an acquired business's information technology infrastructure into ours has in the past and may in the future also expose us to additional security and resiliency risks. Further, past acquisitions have resulted in the recognition of goodwill and other significant intangible assets in our consolidated statement of condition. For example, we recorded goodwill and intangible assets of approximately \$2.46 billion associated with our acquisition of CRD in 2018. These assets are not eligible for inclusion in regulatory capital under applicable requirements. In addition, we may be required to record impairment in our consolidated statement of income in future periods if we determine that the value of these assets has declined.

Through our acquisitions or joint ventures, we may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While in most of our transactions we seek to mitigate these risks through, among other things, due diligence, indemnification provisions or insurance, these or other risk-mitigating provisions we put in place may not be sufficient to address these liabilities and contingencies and involve credit and execution risks associated with successfully seeking recourse from a third party, such as the seller or an insurance provider. Other major financial services firms have paid significant penalties to resolve government investigations into matters conducted in significant part by acquired entities.

Various regulatory approvals or consents, formal or informal, are generally required prior to closing of these transactions, which may include approvals, non-objections or regulatory exceptions from the

Federal Reserve and other domestic and non-U.S. regulatory authorities. These regulatory authorities may impose conditions on the completion of the acquisition or require changes to its terms that materially affect the terms of the transaction or our ability to capture some of the opportunities presented by the transaction, or may not approve the transaction. Any such conditions, or any associated regulatory delays, could limit the benefits of the transaction. Acquisitions or joint ventures we announce may not be completed if we do not receive the required regulatory approvals, if regulatory approvals are significantly delayed or if other closing conditions are not satisfied.

**The integration and the retention and development of the benefits of our acquisitions result in risks to our business and other uncertainties.**

In recent years, we have undertaken several acquisitions, including our 2018 acquisition of CRD and our 2016 acquisition of the General Electric Asset Management business. Our planned acquisition of the BBH Investors Services business is pending regulatory review. The integration of acquisitions presents risks that differ from the risks associated with our ongoing operations. Integration activities are complicated and time consuming and can involve significant unforeseen costs. We may not be able to effectively assimilate services, technologies, key personnel or businesses of acquired companies into our business or service offerings as anticipated, and we may not achieve related revenue growth or cost savings. We also face the risk of being unable to retain, or cross-sell our products or services to, the clients of acquired companies or joint ventures and the risk of being unable to cross-sell acquired products or services to our existing clients. In particular, some clients, including significant clients, of an acquired business may have the right to transition their business to other providers on short notice for convenience, fiduciary or other reasons and may take the opportunity of the acquisition or market, commercial, relationship, service satisfaction or other developments following the acquisition to terminate, reduce or renegotiate the fees or other terms of our relationship. Any such client losses, reductions or renegotiations likely will reduce the expected benefits of the acquisition, including revenues, cross-selling opportunities and market share, cause impairment to goodwill and other intangibles or result in reputational harm, which effects could be material, and we may not have recourse against the seller of the business or the client. The risk of client loss is even greater where the client is a competitor of ours. Acquisitions of technology firms can involve extensive information technology integration, with associated risk of defects, security breaches and resiliency lapses and product enhancement and development activities, the

costs of which can be difficult to estimate, as well as heightened cultural and compliance concerns in integrating an unregulated firm into a bank regulatory environment. Acquisitions of Investment Servicing businesses entail information technology systems conversions, which involve operational risks, as well as fiduciary and other risks associated with client retention. Acquisitions of Asset Management businesses similarly involve fiduciary and similar risks associated with client retention, distribution channels and additional servicing opportunities. Joint ventures involve all of these risks, as well as risks associated with shared control and decision-making (even in majority-owned situations), minority rights and exit rights, which can delay, challenge or foreclose execution on material opportunities or initiatives, create regulatory risks and limit divestment opportunities.

With any acquisition, the integration of the operations and resources of the businesses could result in the loss of key employees, the disruption of our and the acquired company's ongoing businesses or inconsistencies in standards, controls, procedures or policies that could adversely affect our ability to maintain relationships with clients, business partners or employees, maintain regulatory compliance or achieve the anticipated benefits of the acquisition. Integration efforts may also divert management attention and resources.

**Competition for qualified members of our workforce is intense, and we may not be able to attract and retain the personnel we need to support our business.**

Our success depends, in large part, on our ability to attract and retain qualified personnel. Competition for labor in most activities in which we engage can be intense, including for both individuals identified as key talent and for other personnel. We may not be able to hire people or retain them, particularly in light of challenges associated with compensation restrictions applicable, or which may become applicable, to banks and some asset managers and that are not applicable to other financial services firms in all jurisdictions or to technology or other firms with which we compete for personnel, generally. This can be particularly constraining when competing for skill sets which are in high demand, such as technology and information security. The unexpected loss of services of personnel in business units, control functions, information technology, operations or other areas could have a material adverse impact on our business and operations because of the loss of skills, knowledge of our markets, operations and clients, years of industry experience and, in some cases, the difficulty of promptly finding qualified replacement personnel. These adverse impacts may be exacerbated by increased costs and expenses driven by the current competitive labor market particularly with regard to the ability to meet compensation

expectations, elevated inflationary pressures and increased costs associated with attracting, retaining and engaging personnel. In addition, the loss of personnel, either individually or as a group, could adversely affect our clients' perception of our ability to continue to manage certain types of investment management or servicing mandates to provide other services to them or to maintain a culture of innovation and proficiency.

**Financial Market Risks**

**Geopolitical and economic conditions and developments could adversely affect us, particularly if we face increased uncertainty and unpredictability in managing our businesses.**

Global financial markets can suffer from substantial volatility, illiquidity and disruption, particularly as a result of geopolitical disruptions, slower economic growth and a shifting monetary policy stance from key central banks. If such volatility, illiquidity or disruption were to result in an adverse economic environment in the U.S. or internationally or result in a lack of confidence in the financial stability of major developed or emerging markets, such developments could have an adverse effect on our business, as well as the businesses of our clients and our significant counterparties, and could also increase the difficulty and unpredictability of aligning our business strategies, our infrastructure and our operating costs in light of uncertain market and economic conditions. These risks could be compounded by tighter monetary policy conditions, disruptions to free trade and political uncertainty in the U.S. and internationally.

Market disruptions can adversely affect our consolidated results of operations if the value of our AUC/A or AUM decline, while the costs of providing the related services remain constant or increase. They may also result in investor preference trends towards asset classes and markets deemed more secure, such as cash or non-emerging markets, with respect to which our fee rates are often lower. These factors could reduce the profitability of our asset-based fee revenue and could also adversely affect our transaction-based revenue, such as revenues from securities finance and foreign exchange activities, and the volume of transactions that we execute for or with our clients. Further, the degree of volatility in foreign exchange rates can affect our foreign exchange trading revenue. In general, increased currency volatility tends to increase our market risk but also increases our opportunity to generate foreign exchange revenue. Conversely, periods of lower currency volatility tend to decrease our market risk but also decrease our foreign exchange revenue.

In addition, as our business grows globally and a significant percentage of our revenue is earned (and of our expenses paid) in currencies other than U.S.

dollars, our exposure to foreign currency volatility could affect our levels of consolidated revenue, our consolidated expenses and our consolidated results of operations, as well as the value of our investment in our non-U.S. operations and our non-U.S. investment portfolio holdings. The extent to which changes in the strength of the U.S. dollar relative to other currencies affect our consolidated results of operations, including the degree of any offset between increases or decreases to both revenue and expenses, will depend upon the nature and scope of our operations and activities in the relevant jurisdictions during the relevant periods, which may vary from period to period.

As our product offerings expand, in part as we seek to take advantage of perceived opportunities arising under various regulatory reforms and resulting market changes, the degree of our exposure to various market and credit risks will evolve, potentially resulting in greater revenue volatility.

**Our businesses 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.**

Economic conditions across the world face continued uncertainty due to among other things, COVID-19 pandemic fluctuations, global supply chain challenges, employment pressures in services sectors, increased geopolitical risk in Ukraine, and heightened volatility in key emerging market economies. New or continued economic deterioration will renew concerns about sovereign debt sustainability, interdependencies among financial institutions and sovereigns, and political and other risks, particularly as many global central banks begin to withdraw stimulus measures deployed during the peak of the COVID-19 pandemic or implement differing monetary policy. Continued uncertainty in the external environment has led to increased concern around the near- to medium-term outlook for economic progress in the regions in which we operate, including Europe and Asia.

In addition, uncertainty around implications of the United Kingdom's exit from the E.U., known as Brexit, and related developments, present risks which include potential negative impacts to economic activity or to cooperation in the future relationship between the U.K. and E.U. and the resulting consequences for market access for financial services. In order to conform to anticipated restrictions on activity between the E.U. and the U.K. following Brexit, we have developed and implemented plans that seek to maintain our servicing and operational capabilities, in all material respects, independent of the final outcome. There can be no assurance, however, that our plans will address effectively, in whole or in part, all potential contingencies associated with Brexit or that we may

not experience additional costs or inefficiencies associated with our European activities or client dissatisfaction, delays in receiving regulatory approvals or other difficulties in executing our regional strategy.

Given the scope of our International operations, economic or market uncertainty, volatility, illiquidity or disruption resulting from these and related factors could have a material adverse impact 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 market factors, including interest rates, credit spreads and credit performance.**

Our investment securities portfolio represented approximately 37% of our total assets as of December 31, 2021. The gross interest income associated with our investment portfolio represented approximately 10% of our total gross revenue for the year ended December 31, 2021 and has represented as much as 31% of our total gross revenue in the fiscal years since 2007. As such, our consolidated financial condition and results of operations are materially exposed to the risks associated with our investment portfolio, including changes in interest rates, credit spreads, credit performance (including risk of default), credit ratings, our access to liquidity, foreign exchange markets and mark-to-market valuations, and our ability to profitably manage changes in repayment rates of principal with respect to our portfolio securities. The low interest rate environment that has persisted since the financial crisis began in mid-2007 limits our ability to achieve a NIM consistent with our prior historical averages. Despite market expectations for higher interest rates, risks remain for further volatility. Managing reinvestment for both higher and lower rate outcomes will continue to be a challenge. To the extent the Federal Reserve engages in quantitative tightening activities, the market effects and the associated challenges in managing our investment portfolio, consolidated financial condition and consolidated results of operations, including our capital ratios and share repurchase program, may differ from or be exacerbated by the effects of changes in interest rates and also may be volatile and difficult to predict, presenting even further challenges. In addition, certain regulatory liquidity standards, such as the LCR, require that we maintain minimum levels of HQLA in our investment portfolio, which generally generate lower rates of return than other investment assets. This has resulted in increased levels of HQLA as a percentage of our investment portfolio and an associated negative impact on our NII and our NIM. As a result we may not be able to attain our prior historical levels of NII and NIM. For additional information regarding these liquidity requirements, refer to the "Liquidity Coverage Ratio and Net Stable Funding Ratio" section of "Supervision and

Regulation" in Business in this Form 10-K. We may enter into derivative transactions to hedge or manage our exposure to interest rate risk, as well as other risks, such as foreign exchange risk and credit risk. Derivative instruments that we hold for these or other purposes may not achieve their intended results and could result in unexpected losses or stresses on our liquidity or capital resources.

Our investment securities portfolio represents a greater proportion of our consolidated statement of condition and our loan portfolio represents a smaller proportion (approximately 10% of our total assets as of December 31, 2021), in comparison to many other major financial institutions. In some respects, the accounting and regulatory treatment of our investment securities portfolio may be less favorable to us than a more traditional held-for-investment lending portfolio. For example, under the Basel III rule, after-tax changes in the fair value of AFS investment securities, such as those which represent a majority of our investment portfolio, are included in Tier 1 capital. Since loans held for investment are not subject to a fair value accounting framework, changes in the fair value of loans (other than expected credit losses) are not similarly included in the determination of Tier 1 capital under the Basel III rule. Due to this differing treatment, we may experience increased variability in our Tier 1 capital relative to other major financial institutions whose loan-and-lease portfolios represent a larger proportion of their consolidated total assets than ours.

Additional risks associated with our investment portfolio include:

- Asset class concentration. Our investment portfolio continues to have significant concentrations in several classes of securities, including agency residential MBS, commercial MBS and other ABS, and securities with concentrated exposure to consumers. These classes and types of securities experienced significant liquidity, valuation and credit quality deterioration during the financial crisis that began in mid-2007. We also hold non-U.S. government securities, non-U.S. MBS and ABS with exposures to European countries, whose sovereign-debt markets have experienced increased stress at times since 2011 and may continue to experience stress in the future. For further information, refer to the risk factor titled "Our businesses have significant European operations, and disruptions in European economies could have an adverse effect on our consolidated results of operations or financial condition". Further, we hold a portfolio of U.S. state and municipal bonds, the value of which may be affected by the budget deficits that a number

of states and municipalities currently face, resulting in risks associated with this portfolio.

- Effects of market conditions. If market conditions deteriorate, our investment portfolio could experience a decline in market value, whether due to a decline in liquidity or an increase in the yield required by investors to hold such securities, regardless of our credit view of our portfolio holdings. In addition, in general, deterioration in credit quality, or changes in management's expectations regarding repayment timing or in management's investment intent to hold securities to maturity, in each case with respect to our portfolio holdings, could result in recognition of an allowance for expected credit losses or in impairment. Similarly, if a material portion of our investment portfolio were to experience credit deterioration, our capital ratios as calculated pursuant to the Basel III rule could be adversely affected. This risk is greater with portfolios of investment securities that contain credit risk than with holdings of U.S. Treasury securities.
- Effects of interest rates. Our investment portfolio is further subject to changes in both U.S. and non-U.S. (primarily in Europe) interest rates, and could be negatively affected by changes in those rates, whether or not expected. This is particularly true in the case of a quicker-than-anticipated increase in interest rates, which would decrease market values in the near-term, or monetary policy that results in persistently low or negative rates of interest on certain investments. The latter has been the case, for example, with respect to ECB monetary policy, including negative interest rates in some jurisdictions, with associated negative effects on our investment portfolio reinvestment, NII and NIM. The effect on our NII has been exacerbated by the effects in recent fiscal years of the strong U.S. dollar relative to other currencies, particularly the Euro. If European interest rates remain low or decrease and the U.S. dollar strengthens relative to the Euro, the negative effects on our NII likely will continue or increase. The overall level of NII can also be impacted by the size of our deposit base, as further increases in interest rates could lead to reduced deposit levels and also lower overall NII. Further, a reduction in deposit levels could increase the requirements under the regulatory liquidity standards requiring us to invest a greater proportion of our investment portfolio holdings in HQLA that have lower

yields than other investable assets. See also, "Our business activities expose us to interest rate risk" in this section.

### **Our business activities expose us to interest rate risk.**

In our business activities, we assume interest rate risk by investing short-term deposits received from our clients in our investment portfolio of longer- and intermediate-term assets. Our NII and NIM are affected by among other things, the levels of interest rates in global markets, changes in the relationship between short- and long-term interest rates, the direction and speed of interest rate changes and the asset and liability spreads relative to the currency and geographic mix of our interest-earning assets and interest-bearing liabilities. These factors are influenced, among other things, by a variety of economic and market forces and expectations, including monetary policy and other activities of central banks, such as the Federal Reserve and ECB, that we do not control. Our ability to anticipate changes in these factors or to hedge the related on- and off-balance sheet exposures, and the cost of any such hedging activity, can significantly influence the success of our asset-and-liability management activities and the resulting level of our NII and NIM. The impact of changes in interest rates and related factors will depend on the relative duration and fixed- or floating-rate nature of our assets and liabilities. Sustained lower interest rates, a flat or inverted yield curve and narrow credit spreads generally have a constraining effect on our NII. In addition, our ability to change deposit rates in response to changes in interest rates and other market and related factors is limited by client relationship considerations. The impact of interest rates on our investment portfolio and consolidated financial results, including accumulated other comprehensive income, can also affect our ability to maintain our capital ratios within our target ranges as well as the amount and timing of our future share repurchases. For additional information about the effects on interest rates on our business, refer to the Market Risk Management section, "Asset-and-Liability Management Activities" in our Management's Discussion and Analysis in this Form 10-K.

**We assume significant credit risk to counterparties, many of which are major financial institutions. These financial institutions and other counterparties may also have substantial financial dependencies with other financial institutions and sovereign entities. These credit exposures and concentrations could expose us to financial loss.**

The financial markets are characterized by extensive interdependencies among numerous parties, including banks, central banks, broker/dealers, insurance companies and other financial institutions. These financial institutions also include collective investment funds, such as mutual funds,

UCITS and hedge funds that share these interdependencies. Many financial institutions, including collective investment funds, also hold, or are exposed to, loans, sovereign debt, fixed-income securities, derivatives, counterparty and other forms of credit risk in amounts that are material to their financial condition. As a result of our own business practices and these interdependencies, we and many of our clients have concentrated counterparty exposure to other financial institutions and collective investment funds, particularly large and complex institutions, sovereign issuers, mutual funds, UCITS and hedge funds. Although we have procedures for monitoring both individual and aggregate counterparty risk, significant individual and aggregate counterparty exposure is inherent in our business, as our focus is on servicing large institutional investors.

In the normal course of our business, we assume concentrated credit risk at the individual obligor, counterparty or group level. Such concentrations may be material. Our material counterparty exposures change daily, and the counterparties or groups of related counterparties to which our risk exposure is concentrated are also variable during any reported period; our largest exposures tend to be to other financial institutions.

Concentration of counterparty exposure presents significant risks to us and to our clients because the failure or perceived weakness of our counterparties (or in some cases of our clients' counterparties) has the potential to expose us to risk of financial loss. Changes in market perception of the financial strength of particular financial institutions or sovereign issuers can occur rapidly, are often based on a variety of factors and are difficult to predict.

This was observed during the financial crisis that began in 2007-2008, when economic, market, political and other factors contributed to the perception of many financial institutions and sovereign issuers as being less credit worthy. This led to credit downgrades of numerous large U.S. and non-U.S. financial institutions and several sovereign issuers (which exposure stressed the perceived creditworthiness of financial institutions, many of which invest in, accept collateral in the form of, or value other transactions based on the debt or other securities issued by sovereigns) and substantially reduced value and liquidity in the market for their credit instruments. These or other factors could again contribute to similar consequences or other market risks associated with reduced levels of liquidity. As a result, we may be exposed to increased counterparty risks, either resulting from our role as principal or because of commitments we make in our capacity as agent for some of our clients.

Additional areas where we experience exposure to credit risk include:

- Short-term credit: The degree of client demand for short-term credit tends to increase during periods of market turbulence, which may expose us to further counterparty-related risks. For example, investors in collective investment vehicles for which we act as a custodian may experience significant redemption activity due to adverse market or economic news. Our relationship with our clients and the nature of the settlement process for some types of payments may result in the extension of short-term credit in such circumstances. We also provide committed lines of credit to support such activity. For some types of clients, we provide credit to allow them to leverage their portfolios, which may expose us to potential loss if the client experiences investment losses or other credit difficulties.
- Industry and country risks: In addition to our exposure to financial institutions, we are from time to time exposed to concentrated credit risk at an industry or country level. This concentration risk also applies to groups of unrelated counterparties that may have similar investment strategies involving one or more particular industries, regions, or other characteristics. These unrelated counterparties may concurrently experience adverse effects to their performance, liquidity or reputation due to events or other factors affecting such investment strategies. Though potentially not material individually (relative to any one such counterparty), our credit exposures to such a group of counterparties could expose us to a single market or political event or a correlated set of events that, in the aggregate, could have a material adverse impact on our business.
- Subcustodian risks: Our use of unaffiliated subcustodians exposes us to credit risk, in addition to other risks, such as operational risk, dependencies on credit extensions and risks of the legal systems of the jurisdictions in which the subcustodians operate, each of which may be material. Our operating model exposes us to risk of unaffiliated subcustodians to a degree greater than some of our competitors who have banking operations in more jurisdictions than we do. Our subcustodians operate in all jurisdictions in which our clients invest, including emerging and other underdeveloped markets that entail heightened risks. These risks are amplified due to evolving regulatory requirements with respect to our financial exposures in the event those subcustodians are unable to return clients' assets, including, in some regulatory regimes, such as the E.U.'s UCITS V directive, requirements that we be responsible for resulting losses suffered by our clients. We may agree to similar or more stringent standards with clients that are not subject to such regulations. Our subcustodians are also large, global financial institutions with whom we have other credit exposures. This credit exposure to these financial institutions or subcustodians may limit the financial relationship we may have with these counterparties.
- Settlement risks: We are exposed to settlement risks, particularly in our payments and foreign exchange activities. Those activities may lead to extension of credit and consequent losses in the event of a counterparty breach or an operational error, including the failure to provide credit. Due to our membership in several industry clearing or settlement exchanges, we may be required to guarantee obligations and liabilities, or provide financial support, in the event that other members do not honor their obligations or default. Moreover, not all of our counterparty exposure is secured, and even when our exposure is secured, the realizable value of the collateral may have declined by the time we exercise our rights against that collateral. This risk may be particularly acute if we are required to sell the collateral into an illiquid or temporarily-impaired market or with respect to clients protected by sovereign immunity. We are exposed to risk of short-term credit or overdraft of our clients in connection with the process to facilitate settlement of trades and related foreign exchange activities, particularly when contractual settlement has been agreed with our clients. The occurrence of overdrafts at peak volatility could create significant credit exposure to our clients depending upon the value of such clients' collateral at the time.
- Securities lending and repurchase agreement indemnification: On behalf of clients enrolled in our securities lending program, we lend securities to banks, broker/dealers and other institutions. In the event of a failure of the borrower to return such securities, we typically agree to indemnify our clients for the amount by which the fair market value of those securities exceeds the proceeds of the disposition of the collateral posted by the borrower in connection with such transaction. We also lend and borrow securities as riskless principal, and in connection with

- those transactions receive a security interest in securities held by the borrowers in their securities portfolios and advance cash or securities as collateral to securities lenders. Borrowers are generally required to provide collateral equal to a contractually agreed percentage equal to or in excess of the fair market value of the loaned securities. As the fair market value of the loaned securities or collateral changes, additional collateral is provided by the borrower or collateral is returned to the borrower. In addition, our agency securities lending clients often purchase securities or other financial instruments from financial counterparties, including broker/dealers, under repurchase arrangements, frequently as a method of reinvesting the cash collateral they receive from lending their securities. Under these arrangements, the counterparty is obligated to repurchase these securities or financial instruments from the client at the same price (plus an agreed rate of return) at some point in the future. The value of the collateral is intended to exceed the counterparty's payment obligation, and collateral is adjusted daily to account for shortfall under, or excess over, the agreed-upon collateralization level. As with the securities lending program, we agree to indemnify our clients from any loss that would arise on a default by the counterparty under these repurchase arrangements if the proceeds from the disposition of the securities or other financial assets held as collateral are less than the amount of the repayment obligation by the client's counterparty. In such instances of counterparty default, for both securities lending and repurchase agreements, we, rather than our client, are exposed to the risks associated with collateral value.
- Repurchase and resale transactions: We enter into repurchase and resale transactions in eligible securities with sponsored clients and with other FICC members and, pursuant to FICC Government Securities Division rules, submit, novate and net the transactions when specific netting criteria are met. We may sponsor clients to clear their eligible repurchase transactions with FICC, backed by our guarantee to FICC of the prompt and full payment and performance of our sponsored member clients' respective obligations. Although we obtain a security interest from our sponsored clients in the collateral that they receive, we are exposed to the associated risks, including insufficiency of the value of collateral.

- Stable value arrangements: We enter into stable value wrap derivative contracts with unaffiliated stable value funds that allow a stable value fund to provide book value coverage to its participants. During the 2008 financial crisis, the book value of obligations under many of these contracts exceeded the market value of the underlying portfolio holdings. Concerns regarding the portfolio of investments protected by such contracts, or regarding the investment manager overseeing such an investment option, may result in redemption demands from stable value products covered by benefit-responsive contracts at a time when the portfolio's market value is less than its book value, potentially exposing us to risk of loss.
- Private equity subscription finance credit facilities: We provide credit facilities to private equity funds. The portfolio consists of capital call lines of credit, the repayment of which is dependent on the receipt of capital calls from the underlying limited partner investors in the funds managed by these firms.
- U.S. municipal obligations remarketing credit facilities: We provide credit facilities in connection with the remarketing of U.S. municipal obligations, potentially exposing us to credit exposure to the municipalities issuing such bonds and contingent liquidity risk.
- Leveraged loans: we invest in leveraged loans, both in the U.S. and in Europe. We invest in these loans to non-investment grade borrowers through participation in loan syndications in the non-investment grade lending market. We rate these loans as "speculative" under our internal risk-rating framework, and these loans have significant exposure to credit losses relative to higher-rated loans. We are therefore at a higher risk of default with respect to these investments relative to other of our investments activities. In addition, unlike other financial institutions that may have an active role in managing individual loan compliance, our investment in these loans is generally as a passive investor with limited control. As this portfolio becomes more seasoned, our allowance for credit losses related to these loans may increase through additional provisions for credit losses.
- Commercial real estate: We finance commercial and multi-family properties, which serve as collateral for our loans. Although collateralized, these loans may become under-secured if the value of the collateral was over-estimated or changes. Loan

- payments are dependent on the successful operation and management of the underlying collateral property to generate sufficient cash flow to repay the loan in a timely fashion. A material decline in real estate markets or economic conditions could negatively impact value or property performance, which could adversely impact timely loan repayment, which may result in increased provision for credit losses on loans, and actual losses, either of which would have an adverse impact on our net income.
- Unavailability of netting: We are generally not able to net exposures across counterparties that are affiliated entities and may not be able in all circumstances to net exposures to the same legal entity across multiple products. As a consequence, we may incur a loss in relation to one entity or product even though our exposure to an entity's affiliates or across product types is over-collateralized. In some cases, for example in our securities finance and foreign exchange activities, we are able to enter into netting agreements that allow us to net offsetting exposures and payment obligations against one another. In the event we become unable, due to operational constraints, actions by regulators, changes in accounting principles, law or regulation (or related interpretations) or other factors, to net some or all of our offsetting exposures and payment obligations under those agreements, we would be required to gross up our assets and liabilities on our statement of condition and our calculation of RWA, accordingly. This would result in a potentially adverse impact on our regulatory ratios, including LCR, and present increased credit, liquidity, asset-and-liability management and operational risks, some of which could be material.

Under currently prevailing regulatory restrictions on credit exposure, we are required to limit our exposures to specific issuers or counterparties or groups of counterparties, including financial institutions and sovereign issuers. These credit exposure restrictions have and may further adversely affect certain of our businesses, may require that we expand our credit exposure to a broader range of issuers and counterparties, including issuers and counterparties that represent increased credit risk, may reduce or foreclose our ability to enter into advantageous transactions or ventures with particular counterparties and may require that we modify our operating models or the policies and practices we use to manage our consolidated statement of condition. The effects of these considerations may increase when evaluated under a stressed environment in stress testing, including CCAR. In addition, we are an

adherent to the International Swaps and Derivatives Association 2015 Universal Resolution Stay Protocol and as such are subject to restrictions against the exercise of rights and remedies against fellow adherents, including other major financial institutions, in the event they or an affiliate of theirs enters into resolution. Although our overall business is subject to these factors, several of our activities are particularly sensitive to them including our currency trading business and our securities finance business. For a discussion of regulatory requirements applicable to our counterparty exposures, see "Item 1. Business-Supervision and Regulation - Enhanced Prudential Standards".

Given the limited number of strong counterparties in the current market, we are not able to mitigate all of our and our clients' counterparty credit risk.

**Fee revenue represents a significant majority of our consolidated revenue and is subject to decline, among other things, in the event of a reduction in, or changes to, the level or type of investment activity by our clients.**

We rely primarily on fee-based services to derive our revenue. This contrasts with commercial banks that may rely more heavily on interest-based sources of revenue, such as loans. During 2021, total fee revenue represented approximately 83% of our total revenue. Fee revenue generated by our Investment Servicing and Investment Management businesses is augmented by foreign exchange trading services, securities finance and software and processing fee revenue. The level of these fees is influenced by several factors, including the mix and volume of our AUC/A and our AUM, the value and type of securities positions held (with respect to AUC/A) and the volume of our clients' portfolio transactions, and the types of products and services used by our clients. Our fee revenue would be negatively affected, potentially materially, by a decline in the market value of client portfolios resulting from a broad market correction, especially in equity markets.

In addition, our clients include institutional investors, such as mutual funds, collective investment funds, UCITS, hedge funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. Economic, market or other factors that reduce the level or rates of savings in or with those institutions, either through reductions in financial asset valuations or through changes in investor preferences, could materially reduce our fee revenue and have a material adverse effect on our consolidated results of operations.

**If we are unable to effectively manage our capital and liquidity, including by continuously attracting deposits and other short-term funding, our consolidated financial condition, including our regulatory capital ratios, our consolidated results of operations and our business prospects, could be adversely affected.**

Liquidity management, including on an intra-day basis, is critical to the management of our consolidated statement of condition and to our ability to service our client base. We generally use our liquidity to:

- meet clients' demands for return of their deposits;
- extend credit to our clients in connection with our investor services businesses; and
- fund the pool of long- and intermediate-term assets that are included in the investment securities and loan portfolio carried in our consolidated statement of condition.

Because the demand for credit by our clients, particularly settlement related extensions of credit, is difficult to predict and control, and may be at its peak at times of disruption in the securities markets, and because the average maturity of our investment securities and loan portfolios is longer than the contractual maturity of our client deposit base, we need to continuously attract, and are dependent on access to, various sources of short-term funding. Since the 2008 financial crisis, the level of client deposits held by us has tended to increase during times of market disruption; however, since such deposits are considered to be transitory, we have historically deposited so-called excess deposits with U.S. and non-U.S. central banks and in other highly liquid but low-yielding instruments. These levels of excess client deposits, when they manifest, have increased our NII but have adversely affected our NIM.

In managing our liquidity, our primary source of short-term funding is client deposits, which are predominantly transaction-based deposits by institutional investors. Our ability to continue to attract these deposits, and other short-term funding sources such as certificates of deposit, is subject to variability based on a number of factors, including volume and volatility in global financial markets, the interest rates that we are prepared to pay for these deposits, the loss or gain of one or more clients, client interest in reducing non-interest bearing deposits, the perception of safety of these deposits or short-term obligations relative to alternative short-term investments available to our clients, including the capital markets, and the classification of certain deposits for regulatory purposes and related discussions we may have from time to time with clients regarding better balancing our clients' cash

management needs with our economic and regulatory objectives.

The Parent Company is a non-operating holding company and generally maintains only limited cash and other liquid resources at any time primarily to meet anticipated near-term obligations. To effectively manage our liquidity we routinely transfer assets among affiliated entities, subsidiaries and branches. Internal or external factors, such as regulatory requirements and standards, including resolution planning and restrictions on dividend distributions, influence our liquidity management and may limit our ability to effectively transfer liquidity internally which could, among other things, restrict our ability to fund operations, dividends or stock repurchases or pay interest on debt securities or require us to seek external and potentially more costly capital and impact our liquidity position.

In addition, while not obligations of ours, the investment products that we manage for third parties may be exposed to liquidity risks. These products may be funded on a short-term basis or the clients participating in these products may have a right to the return of cash or assets on limited notice. These business activities include, among others, securities finance collateral pools, money market and other short-term investment funds and liquidity facilities utilized in connection with municipal bond programs. If clients demand a return of their cash or assets, particularly on limited notice, and these investment pools do not have the liquidity to support those demands, we could be forced to sell investment securities held by these asset pools at unfavorable prices, damaging our reputation as a service provider and potentially exposing us to claims related to our management of the pools.

The availability and cost of credit in short-term markets are highly dependent on the markets' perception of our liquidity and creditworthiness. Our efforts to monitor and manage our liquidity risk, including on an intra-day basis, may not be successful or sufficient to deal with dramatic or unanticipated changes in the global securities markets or other event-driven reductions in liquidity. As a result of such events, among other things, our cost of funds may increase, thereby reducing our NII, or we may need to dispose of a portion of our investment securities portfolio, which, depending on market conditions, could result in a loss from such sales of investment securities being recorded in our consolidated statement of income.

**We may need to raise additional capital or debt in the future, which may not be available to us or may only be available on unfavorable terms.**

We may need to raise additional capital or debt in order to maintain our credit ratings, in response to regulatory changes, including capital rules, or for other purposes, including financing acquisitions and joint ventures. For example, in March 2021 and November 2021, we issued additional long-term debt in order to maintain levels to satisfy internal and regulatory requirements, and in September 2021, we issued common stock to finance our acquisition of the BBH Investor Services business.

However, our ability to access the capital markets, if needed, on a timely basis or at all will depend on a number of factors, such as the state of the financial markets and securities law requirements and standards. In the event of rising interest rates, disruptions in financial markets, negative perceptions of our business or our financial strength, or other factors that would increase our cost of borrowing, we cannot be sure of our ability to raise additional capital or debt, if needed, on terms acceptable to us. Any diminished ability to raise additional capital or debt, if needed, could adversely affect our business and our ability to implement our business plan, capital plan and strategic goals, including the financing of acquisitions and joint ventures and our efforts to maintain regulatory compliance.

**Any downgrades in our credit ratings, or an actual or perceived reduction in our financial strength, could adversely affect our borrowing costs, capital costs and liquidity position and cause reputational harm.**

Major independent rating agencies publish credit ratings for our debt obligations based on their evaluation of a number of factors, some of which relate to our performance and other corporate developments, including financings, acquisitions and joint ventures, and some of which relate to general industry conditions. We anticipate that the rating agencies will continue to review our ratings regularly based on our consolidated results of operations and developments in our businesses, including regulatory considerations such as resolution planning. One or more of the major independent credit rating agencies have in the past downgraded, and may in the future downgrade, our credit ratings, or have negatively revised their outlook for our credit ratings. The current market and regulatory environment and our exposure to financial institutions and other counterparties, including sovereign entities, increase the risk that we may not maintain our current ratings, and we cannot provide assurance that we will continue to maintain our current credit ratings. Downgrades in our credit ratings may adversely affect our borrowing costs, our capital costs and our ability to raise capital and, in

turn, our liquidity. A failure to maintain an acceptable credit rating may also preclude us from being competitive in various products.

Additionally, our counterparties, as well as our clients, rely on our financial strength and stability and evaluate the risks of doing business with us. If we experience diminished financial strength or stability, actual or perceived, due to the effects of market or regulatory developments, announced or rumored business developments, consolidated results of operations, a decline in our stock price or a downgrade to our credit rating, our counterparties may be less willing to enter into transactions, secured or unsecured, with us, our clients may reduce or place limits on the level of service we provide to them or seek to transfer the business, in whole or in part, to other service providers or our prospective clients may select other service providers. Any, or all of these may have adverse effects on our business and reputation.

The risk that we may be perceived as less creditworthy than other market participants is higher as a result of recent market developments, which include an environment in which the consolidation, and in some instances failure, of financial institutions, including major global financial institutions, has resulted in a smaller number of much larger counterparties and competitors. If our counterparties perceive us to be a less viable counterparty, our ability to enter into financial transactions on terms acceptable to us or our clients, on our or our clients' behalf, will be materially compromised. If our clients reduce their deposits with us or select other service providers for all or a portion of the services we provide to them, our revenues will decrease accordingly.

**Compliance and Regulatory Risks**

**Our business and capital-related activities, including our ability to return capital to shareholders and repurchase our capital stock, may be adversely affected by our implementation of regulatory capital and liquidity standards that we must meet or as a result of regulatory capital stress testing.**

*Basel III and Dodd-Frank Act*

We are required to calculate our risk-based capital ratios under both the Basel III advanced approaches and the Basel III standardized approach, and we are subject to the more stringent of the risk-based capital ratios calculated under the advanced approaches and those calculated under the standardized approach in the assessment of our capital adequacy.

In implementing various aspects of these capital regulations, we are making interpretations of the regulatory intent. The Federal Reserve may determine that we are not in compliance with the

capital rules and may require us to take actions to come into compliance that could adversely affect our business operations, our regulatory capital structure, our capital ratios or our financial performance, or otherwise restrict our growth plans or strategies. In addition, banking regulators could change the Basel III rule or their interpretations as they apply to us, including changes to these standards or interpretations made in regulations implementing provisions of the Dodd-Frank Act, which could adversely affect us and our ability to comply with the Basel III rule.

Along with the Basel III rule, banking regulators also introduced additional requirements, such as the SLR, LCR and the NSFR, each of which presents compliance risks.

For example, these regulatory requirements could have a material effect on our business activities, including the management and composition of our investment securities portfolio and our ability to extend credit through committed facilities, loans to our clients or our principal securities lending activities as the structure of our balance sheet changes. In addition, further capital and liquidity requirements are being implemented or are under consideration by U.S. and international banking regulators. Any of these rules, or any additional regulatory initiatives introduced under the current administration, could have a material effect on our capital and liquidity planning and related activities, including the management and composition of our investment securities portfolio and our ability to extend committed contingent credit facilities to our clients. The full effects of these rules, and of other regulatory initiatives related to capital or liquidity, on us and State Street Bank are subject to further regulatory guidance, action or rule-making.

#### *Systemic Importance*

As a G-SIB, we are generally subject to the most stringent provisions under the Basel III rule. For example, we are subject to the Federal Reserve's rules on the implementation of capital surcharges for U.S. G-SIBs, and on TLAC, LTD and clean holding company requirements for U.S. G-SIBs which we refer to as the "TLAC rule". For additional information on these requirements, refer to the "Regulatory Capital Adequacy and Liquidity Standards" section under "Supervision and Regulation" in Business in this Form 10-K.

Not all of our competitors have similarly been designated as systemically important nor are all of them subject to the same degree of regulation as a bank or financial holding company, and therefore some of our competitors are not subject to the same additional capital requirements.

#### *Supervisory Stress Testing and Capital Planning*

We are required by the Federal Reserve to conduct periodic stress testing of our business

operations and to develop an annual capital plan and are subject to supervisory stress testing, all as part of the Federal Reserve's stress testing and capital planning processes. The stress testing and capital planning processes, the severity and other characteristics of which may evolve from year-to-year, are used by the Federal Reserve to evaluate our management of capital and the adequacy of our regulatory capital and to determine the SCB that we must maintain above our minimum regulatory capital requirements in order for us to make capital distributions and discretionary bonuses without limitation. The results of the supervisory stress testing process are difficult to predict due, among other things, to the Federal Reserve's use of proprietary stress models that differ from our internal models. The results of the Federal Reserve's supervisory stress tests may result in an increase in our SCB requirement. The amounts of the planned capital actions in our capital plan in any year, including stock repurchases and dividends, may be substantially reduced from the amounts included in prior capital plans. These reductions may reflect changes in one or more different factors, including our business prospects and related capital needs, our capital position, proposed acquisitions or other uses of capital, the models used in our capital planning process, the supervisory models used by the Federal Reserve to stress our balance sheet, the Federal Reserve's hypothetical economic scenarios for the supervisory stress testing process, the Federal Reserve's stress testing instructions and the Federal Reserve's supervisory expectations for the capital planning process. Any of these potential events could require us, as applicable, to revise our stress-testing or capital-management approaches, resubmit our capital plan or postpone, cancel or alter our planned capital actions. In addition, changes in our business strategy, merger or acquisition activity or uses of capital could result in a change in our capital plan and its associated capital actions, and may require us to resubmit our capital plan to the Federal Reserve, which could prompt the Federal Reserve to recalculate our SCB requirement. We are also subject to asset quality reviews and stress testing by the ECB and in the future we may be subject to similar reviews and testing by other regulators.

Our implementation of capital and liquidity requirements may not be approved or may be objected to by the Federal Reserve, and the Federal Reserve may impose capital requirements in excess of our expectations or require us to maintain levels of liquidity that are higher than we may expect and which may adversely affect our consolidated revenues. In the event that our implementation of capital and liquidity requirements under regulatory initiatives or our current capital structure are determined not to conform with current and future

capital requirements, our ability to deploy capital in the operation of our business or our ability to distribute capital to shareholders or to repurchase our capital stock may be constrained, and our business may be adversely affected. In addition, we may choose to forgo business opportunities, due to their impact on our capital plan or stress tests, including our SCB requirement. Likewise, in the event that regulators in other jurisdictions in which we have banking subsidiaries determine that our capital or liquidity levels do not conform with current and future regulatory requirements, our ability to deploy capital, our levels of liquidity or our business operations in those jurisdictions may be adversely affected.

For additional information about the above matters, refer to "Regulatory Capital Adequacy and Liquidity Standards" section under "Supervision and Regulation" in Business and "Capital" section under "Financial Condition" in our Management's Discussion and Analysis in this Form 10-K.

**We face extensive and changing government regulation in the U.S. and in non-U.S. jurisdictions in which we operate, which may increase our costs and expose us to risks related to compliance.**

Most of our businesses are subject to extensive regulation by multiple regulatory bodies, and many of the clients to which we provide services are themselves subject to a broad range of regulatory requirements. These regulations may affect the scope of, and the manner and terms of delivery of, our services. For example, potential changes in the regulation of money market funds have the potential to alter the marketplace for and increase the complexity and costs of providing services to, those funds. As a financial institution with substantial international operations, we are subject to extensive regulation and supervisory oversight, both inside and outside of the U.S. This regulation and supervisory oversight affects, among other things, the scope of our activities and client services, our capital and organizational structure, our ability to fund the operations of our subsidiaries, our lending practices, our dividend policy, our common share repurchase actions, the manner in which we market our services, our acquisition activities and our interactions with foreign regulatory agencies and officials.

In particular, we are registered with the Federal Reserve as a bank holding company pursuant to the Bank Holding Company Act of 1956. The Bank Holding Company Act generally limits the activities in which we and our non-banking subsidiaries may engage to managing or controlling banks and to activities considered to be closely related to banking. As a bank holding company that has elected to be treated as a financial holding company under the Bank Holding Company Act, we and some of our non-

banking subsidiaries may also engage in a broader range of activities considered to be "financial in nature." Financial holding company status may be denied if we and our banking subsidiaries do not remain well capitalized and well managed or fail to comply with Community Reinvestment Act obligations. Currently, under the Bank Holding Company Act, we may not be able to engage in new activities or acquire shares or control of other businesses.

We are unable to predict what, if any, changes to the regulatory environment may be enacted by Congress, both chambers of which are under Democratic control, or the presidential administration and what the impact of any such changes will be on our results of operations or financial condition, including increased expenses or changes in the demand for our services or our ability to engage in transactions to expand our business, or on the U.S.-domestic or global economies or financial markets.

Moreover, the current presidential administration is expected to make certain changes in the leadership and senior staffs of the federal banking agencies. Such changes are likely to impact the rulemaking, supervision, examination and enforcement priorities and policies of the agencies. In addition, changes in key personnel at the agencies that regulate such banking organizations, including the federal banking agencies, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously. The potential impact of any changes in agency personnel, policies, priorities and interpretations on the financial services sector, including us, cannot be predicted at this time.

We expect that our business will remain subject to extensive regulation and supervision. Several other aspects of the regulatory environment in which we operate, and related risks, are discussed below. Additional information is provided under "Supervision and Regulation" in Business in this Form 10-K.

*Resolution Planning*

We are required to periodically submit a plan for rapid and orderly resolution in the event of material financial distress or failure commonly referred to as a resolution plan or a living will to the Federal Reserve and the FDIC under Section 165(d) of the Dodd-Frank Act. Through resolution planning, we seek, in the event of insolvency, to maintain State Street Bank's role as a key infrastructure provider within the financial system, while minimizing risk to the financial system and maximizing value for the benefit of our stakeholders. Significant management attention and resources are devoted in an effort to meet regulatory expectations with respect to resolution planning.

In the event of material financial distress or failure, our preferred resolution strategy is the SPOE Strategy. Our resolution plan, including our implementation of the SPOE Strategy with a secured support agreement, may result in significant risks, including that: (1) the SPOE Strategy and the obligations under the related secured support agreement may result in the recapitalization of and/or provision of liquidity to State Street Bank and our other material entities and the commencement of bankruptcy proceedings by the Parent Company at an earlier stage of financial stress than might otherwise occur without such mechanisms in place; (2) as an expected effect of the SPOE Strategy, together with applicable TLAC regulatory requirements, our losses will be imposed on Parent Company shareholders and the holders of long-term debt and other forms of TLAC securities currently outstanding or issued in the future by the Parent Company, as well as on any other Parent Company creditors, before any of our losses are imposed on the holders of the debt securities of State Street Bank or certain of the Parent Company's other operating subsidiaries or any of their depositors or creditors and before U.S. taxpayers are put at risk; (3) there can be no assurance that there would be sufficient recapitalization resources available to ensure that State Street Bank and our other material entities are adequately capitalized following the triggering of the requirements to provide capital and/or liquidity under the secured support agreement; and (4) there can be no assurance that credit rating agencies, in response to our resolution plan or the secured support agreement, will not downgrade, place on negative watch or change their outlook on our debt credit ratings, generally or on specific debt securities. Additional information about the SPOE Strategy, including related risks, is provided under "Recovery and Resolution Planning" in Business in this Form 10-K.

#### *Systemic Importance*

Our qualification in the U.S. as a SIFI, and our designation by the Financial Stability Board as a G-SIB, to which certain regulatory capital surcharges may apply, subjects us to incrementally higher capital and prudential requirements, increased scrutiny of our activities and potential additional regulatory requirements or heightened regulatory expectations as compared to those applicable to some of the financial institutions with which we compete as a custodian or asset manager. This qualification and designation also has significantly increased, and may continue to increase, our expenses associated with regulatory compliance, including personnel and systems, as well as implementation and related costs to enhance our programs.

#### *Global and Non-U.S. Regulatory Requirements*

The breadth of our business activities, together with the scope of our global operations and varying business practices in relevant jurisdictions, increase the complexity and costs of meeting our regulatory compliance obligations, including in areas that are receiving significant regulatory scrutiny. We are, therefore, subject to related risks of non-compliance, including fines, penalties, lawsuits, regulatory sanctions, difficulties in obtaining governmental approvals, limitations on our business activities or reputational harm, any of which may be significant. For example, the global nature of our client base requires us to comply with complex laws and regulations of multiple jurisdictions relating to economic sanctions and money laundering. In addition, we are required to comply not only with the U.S. Foreign Corrupt Practices Act, but also with the applicable anti-corruption laws of other jurisdictions in which we operate. Further, our global operating model requires that we comply with information security, resiliency and outsourcing oversight requirements, including with respect to affiliated entities, of multiple jurisdictions and enable our clients to comply with information security, resiliency and outsourcing oversight requirements imposed upon them. Regulatory scrutiny of compliance with these and other laws and regulations is increasing and may, in some respects, impede the implementation of our global operating model that is central to both delivery of client service requirements and cost efficiency. We sometimes face inconsistent laws and regulations across the various jurisdictions in which we operate. The evolving regulatory landscape may interfere with our ability to conduct our operations, with our pursuit of a common global operating model or with our ability to compete effectively with other financial institutions operating in those jurisdictions or which may be subject to different regulatory requirements than apply to us. In particular, non-U.S. regulations and initiatives that may be inconsistent or conflict with current or proposed regulations in the U.S. could create increased compliance and other costs that would adversely affect our business, operations or profitability. Geopolitical events also have the potential to increase the complexity and cost of regulatory compliance.

In addition to U.S. regulatory initiatives, we are further affected by non-U.S. regulatory initiatives, including the implementation of the Basel prudential framework and the European Commission's Investment Firm Review and Central Securities Depositories Regulation, as well as proposals for amending the AIFM Directive and under the Capital Markets Union Action Plan. Recent, proposed or potential regulations in the U.S. and E.U. with respect to short-term wholesale funding, such as repurchase agreements or securities lending, or other non-bank

finance activities, could also adversely affect not only our own operations but also the operations of the clients to which we provide services. Concerns regarding the liquidity and valuation of prime money market funds and similar products, as well as potential related regulation, may adversely impact the cash management products we offer. In addition, anti-competitive, voting power, governance and other concerns with passive investment strategies continue to be the subject of legislative and regulatory debate which could significantly impact both our asset management business and the clients that we service.

#### *Consequences of Regulatory Environment and Compliance Risks*

Domestic and international regulatory reform could limit our ability to pursue certain business opportunities, increase our regulatory capital requirements, alter the risk profile of certain of our core activities and impose additional costs on us, otherwise adversely affect our business, our consolidated results of operations or financial condition and have other negative consequences, including, a reduction of our credit ratings. Different countries may respond to the market and economic environment in different and potentially conflicting manners, which could increase the cost of compliance for us.

The evolving regulatory environment, including changes to existing regulations and the introduction of new regulations, may also contribute to decisions we may make to suspend, reduce or withdraw from existing businesses, activities, markets or initiatives. In addition to potential lost revenue associated with any such suspensions, reductions or withdrawals, any such suspensions, reductions or withdrawals may result in significant restructuring or related costs or exposures.

If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits, delays, or difficulties in obtaining regulatory approvals or restrictions on our business activities or harm to our reputation, which may significantly and adversely affect our business operations and, in turn, our consolidated results of operations. The willingness of regulatory authorities to impose meaningful sanctions, and the level of fines and penalties imposed in connection with regulatory violations, have increased substantially since the 2008 financial crisis. Regulatory agencies may, at times, limit our ability to disclose their findings, related actions or remedial measures. Similarly, many of our clients are subject to significant regulatory requirements and retain our services in order for us to assist them in complying with those legal requirements. Changes in these regulations can significantly affect the services that we are asked to provide, as well as our costs.

Adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain clients. If we cause clients to fail to comply with any regulatory requirements, we may be liable to them for losses and expenses that they incur. In recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with our operations. If this regulatory trend continues, it could continue to adversely affect our operations and, in turn, our consolidated results of operations and financial condition.

For additional information, see the risk factor "*Our businesses may be adversely affected by government enforcement and litigation.*"

#### **We are subject to enhanced external oversight as a result of certain agreements entered into in connection with the resolution of prior regulatory or governmental matters.**

In connection with the resolution of certain proceedings relating to our having charged six clients of our transition management business during 2010 and 2011 amounts in excess of the contractual terms, in January 2017, we entered into a deferred prosecution agreement with the Department of Justice and the United States Attorney for the DOJ under which we agreed to retain an independent compliance and ethics monitor for a term which has now been extended to 2022 (subject to further extension) to, among other things, review and monitor the effectiveness of our compliance controls and business ethics and make related recommendations, and in September 2017, we entered into a settlement agreement with the SEC that also requires us to retain an independent ethics and compliance consultant. In connection with the resolution of certain proceedings relating to our announcement in 2015 that we had incorrectly invoiced clients for certain expenses, in May 2021, we entered into a deferred prosecution agreement with the office of the United States Attorney for the District of Massachusetts under which we agreed to retain an independent compliance monitor for a term of up to two years and comply with other requirements including cooperation with the government. Responding to the monitor's requests entails significant cost and management attention and we are, in general, required to implement remediation plans to address any of the monitor's recommendations. These recommendations may require substantial cost and effort to remediate and, even when consistent with our own control enhancement objectives, may reflect differences in approach, timing and cost than we may independently intend. Under the deferred prosecution agreements we also have a heightened obligation

promptly to report issues involving potential or alleged fraudulent activities to the DOJ.

As a result of the enhanced inspections and monitoring activities to which we are subject under these agreements, governmental authorities may identify areas in which we may need to take actions, which may be significant, to enhance our regulatory compliance or risk management practices. Such remedial actions may entail significant cost, management attention, and systems development and such efforts may affect our ability to expand our business until such remedial actions are completed. These actions may be in addition to remedial measures required by the Federal Reserve and other financial regulators following examinations as a result of increased prudential expectations regarding our compliance programs, culture and risk management. Our failure to implement enhanced compliance and risk management procedures in a manner and in a time frame deemed to be responsive by the applicable regulatory authority could adversely impact our relationship with such regulatory authority and could lead to restrictions on our activities or other sanctions. Moreover, the identification of new or additional facts and circumstances suggesting inappropriate or non-compliant conduct, whether identified by us, the monitor or a regulatory authority, in the course of an inspection, or independently by us could lead to new governmental proceedings or the re-opening of matters that were previously resolved. The presence of the monitor, as well as governmental programs rewarding whistleblowing, may also increase the instances of current or former employees alleging that certain practices are inconsistent with our legal or regulatory obligations.

**Our businesses may be adversely affected by government enforcement and litigation.**

The businesses in which we operate are highly-regulated and subject to extensive external scrutiny that may be directed generally to participants in the businesses or markets in which we are involved or may be specifically directed at us, including as a result of whistleblower and qui tam claims. In the course of our business, we are frequently subject to various regulatory, governmental and law enforcement inquiries, investigative demands and subpoenas, and from time to time, our clients, or the government on its own behalf or on behalf of our clients or others, make claims and take legal action relating to, among other things, our performance of our fiduciary, contractual or regulatory responsibilities. Often, the announcement of any such matters, or of any settlement of a claim or action, whether it involves us or others in our industry, may spur the initiation of similar claims by other clients or governmental parties. Regulatory authorities have, and are likely to continue to, initiate cross industry reviews when a material issue is identified at a

financial institution. Such inquiries involve costs and management time and may lead to proceedings relating to our own activities.

Regardless of the outcome of any governmental enforcement or litigation matter, responding to such matters is time-consuming and expensive and can divert the attention of senior management. Governmental enforcement and litigation matters can involve claims for disgorgement, demands for substantial monetary damages, the imposition of civil or criminal penalties, and the imposition of remedial sanctions or other required changes in our business practices, any of which could result in increased expenses, loss of client demand for our products or services, or harm to our reputation. The exposure associated with any proceedings that may be threatened, commenced or filed against us could have a material adverse effect on our consolidated results of operations for the period in which we establish a reserve with respect to such potential liability or upon our reputation. In government settlements since the 2008 financial crisis, the fines imposed by authorities have increased substantially and may exceed in some cases the profit earned or harm caused by the regulatory or other breach. For example, in 2021, we paid a \$115 million penalty to the office of the United States Attorney for the District of Massachusetts to resolve potential criminal claims arising from the invoicing matter. In addition, in connection with the resolution of the transition management matter, we agreed to pay a fine of £22.9 million (approximately \$37.8 million) to the U.K. FCA in 2014 and fines of \$32.3 million to each of the DOJ and the SEC in 2017. As a further example, we paid an aggregate of \$575 million in 2016 to resolve a series of investigations and governmental and private claims alleging that our indirect foreign exchange rates prior to 2008 were not adequately disclosed or were otherwise improper. These matters have also resulted in regulatory focus on the manner in which we charge clients and related disclosures. This focus may lead to increased and prolonged governmental inquiries and client, qui tam and whistleblower claims associated with the amount and disclosure of compensation we receive for our products and services.

Moreover, U.S. and certain international governmental authorities have increasingly brought criminal actions against financial institutions, and criminal prosecutors have increasingly sought and obtained criminal guilty pleas, deferred prosecution agreements or other criminal sanctions from financial institutions. For example, in 2017 we entered into a deferred prosecution agreement with the U.S. Department of Justice in connection with the resolution of the transition management matter and in May 2021, we entered into a deferred prosecution agreement with the office of the United States

Attorney for the District of Massachusetts in connection with the invoicing matter and such agreement could increase the likelihood that governmental authorities will seek criminal sanctions against us in pending proceedings or future litigation legal proceedings. See the risk factor “*We are subject to various legal proceedings relating to the manner in which we have invoiced certain expenses, and the outcome of such proceedings could materially adversely affect our results of operations, or harm our business or reputation.*” Government authorities may also pursue criminal claims against current or former employees, and these matters can, among other things, involve continuing reputational harm to us. For example, four of our former employees were indicted by U.S. prosecutors on charges of criminal conspiracy in connection with their involvement in the transition management matter. Two of these individuals pled guilty, and a third was convicted in 2018.

In many cases, we are required or may choose to report inappropriate or non-compliant conduct to the authorities, and our failure or delay to do so may represent an independent regulatory violation or be treated as an indication of non-cooperation with governmental authorities. Even when we promptly report a matter, we may nonetheless experience regulatory fines, liabilities to clients, harm to our reputation or other adverse effects. Moreover, our settlement or other resolution of any matter with any one or more regulators or other applicable party may not forestall other regulators or parties in the same or other jurisdictions from pursuing a claim or other action against us with respect to the same or a similar matter.

For more information about current contingencies relating to legal proceedings, see Note 13 to the consolidated financial statements in this Form 10-K. The resolution of certain pending or potential legal or regulatory matters could have a material adverse effect on our consolidated results of operations for the period in which the relevant matter is resolved or an accrual is determined to be required, on our consolidated financial condition or on our reputation.

In view of the inherent difficulty of predicting the outcome of legal and regulatory matters, we cannot provide assurance as to the outcome of any pending or potential matter or, if determined adversely against us, the costs associated with any such matter, particularly where the claimant seeks very large or indeterminate damages or where the matter presents novel legal theories, involves a large number of parties, involves the discretion of governmental authorities in seeking sanctions or negotiated resolution or is at a preliminary stage. We may be unable to accurately estimate our exposure to the risks of legal and regulatory contingencies when we

record reserves for probable and estimable loss contingencies. As a result, any reserves we establish may not be sufficient to cover our actual financial exposure. Similarly, our estimates of the aggregate range of reasonably possible loss for legal and regulatory contingencies are based upon then-available information and are subject to significant judgment and a variety of assumptions and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the estimate at any time.

**Our efforts to improve our billing processes and practices are ongoing and may result in the identification of additional billing errors.**

In 2015, we determined we had incorrectly invoiced some of our Investment Servicing clients for certain expenses. At that time, we began the process of remediating these errors, improving our billing processes and controls in the asset servicing business and other businesses, and testing these improved billing processes and controls. We are continuing to standardize, enhance, and, where necessary, replace and enhance controls and invest in new billing infrastructure. The objective of this billing transformation program is to obtain greater billing accuracy and timeliness. Because of the scale of our business, identifying and remediating all weaknesses and inefficiencies in our billing processes cannot be implemented concurrently. Accordingly, the costs to remediate billing errors which may be discovered in that process, would likely be incurred over a period that we are now unable accurately to determine. As we work through this process, we have discovered and may continue to discover areas where we believe our billing processes need improvement, where we believe we have made billing errors with respect to particular customers and categories of fees and expenses, and where we believe billing arrangements between ourselves and particular customers should be clarified. Such discoveries may lead to increased expense and decreased revenues, the need to remediate prior billing errors, government investigations, or litigation that may materially impact our business, financial results and reputation.

**Any theft, loss, damage to or other misappropriation or inadvertent disclosure of, or inappropriate access to, the confidential information we possess could have an adverse impact on our business and could subject us to regulatory actions, litigation and other adverse effects.**

Our businesses and relationships with clients are dependent on our ability to maintain the confidentiality of our and our clients' trade secrets and other confidential information (including client transactional and holdings data and personal data about our clients, our clients' clients and our employees). Unauthorized access, or failure of our controls with respect to granting access to our systems, has in the past occurred and may in the future occur, resulting in theft, loss, damage to or other misappropriation of such information. In addition, our and our vendors' personnel have in the past and may in the future inadvertently or deliberately disclose client or other confidential information. Any theft, loss, damage to other misappropriation or inadvertent disclosure of confidential information could have a material adverse impact on our competitive position, our relationships with our clients and our reputation and could subject us to regulatory inquiries, enforcement and fines, civil litigation and possible financial liability or costs. To the extent any of these events involve personal information, the risks of enhanced regulatory scrutiny and the potential financial liabilities are exacerbated, particularly under data protection regulations such as the GDPR.

**Our calculations of credit, market and operational risk exposures, total RWA and capital ratios for regulatory purposes depend on data inputs, formulae, models, correlations and assumptions that are subject to change over time, which changes, in addition to our consolidated financial results, could materially impact our risk exposures, our total RWA and our capital ratios from period to period.**

To calculate our credit, market and operational risk exposures, our total RWA and our capital ratios for regulatory purposes, the Basel III rule involves the use of current and historical data, including our own loss data and similar information from other industry participants, market volatility measures, interest rates and spreads, asset valuations, credit exposures and the creditworthiness of our counterparties. These calculations also involve the use of quantitative formulae, statistical models, historical correlations and significant assumptions. We refer to the data, formulae, models, correlations and assumptions, as well as our related internal processes, as our "advanced systems." While our advanced systems are generally quantitative in nature, significant components involve the exercise of judgment based

on, among other factors, our and the financial services industry's evolving experience. Any of these judgments or other elements of our advanced systems may not, individually or collectively, precisely represent or calculate the scenarios, circumstances, outputs or other results for which they are designed or intended. Collectively, they represent only our estimate of associated risk.

In addition, our advanced systems are subject to update and periodic revalidation in response to changes in our business activities and our historical experiences, forces and events experienced by the market broadly or by individual financial institutions, changes in regulations and regulatory interpretations and other factors, and are also subject to continuing regulatory review and approval. For example, a significant operational loss experienced by another financial institution, even if we do not experience a related loss, could result in a material change in the output of our advanced systems and a corresponding material change in our risk exposures, our total RWA and our capital ratios compared to prior periods. An operational loss that we experience could also result in a material change in our capital requirements for operational risk under the advanced approaches, depending on the severity of the loss event, its characterization among the seven Basel-defined UOM, and the stability of the distributional approach for a particular UOM. This change in our capital requirements could be without direct correlation to the effects of the loss event or the timing of such effects on our results of operations. Due to the influence of changes in our advanced systems, whether resulting from changes in data inputs, regulation or regulatory supervision or interpretation, specific to us or more general market, or individual financial institution-specific, activities or experiences, or other updates or factors, we expect that our advanced systems and our credit, market and operational risk exposures, our total RWA and our capital ratios calculated under the Basel III rule will change, and may be volatile, over time, and that those latter changes or volatility could be material as calculated and measured from period to period.

**Changes in accounting standards may adversely affect our consolidated financial statements.**

New accounting standards, or changes to existing accounting standards, resulting both from initiatives of the FASB as well as changes in the interpretation of existing accounting standards potentially could affect our consolidated results of operations, cash flows and financial condition. These changes can materially affect how we record and report our consolidated results of operations, cash flows, financial condition and other financial information. In some cases, we could elect, or be required, to apply a new or revised standard retroactively, resulting in the revised treatment of certain transactions or activities, and, in some cases, the revision of our consolidated financial statements for prior periods. For additional information regarding changes in accounting standards, refer to the "Recent Accounting Developments" section of Note 1 to the consolidated financial statements in this Form 10-K.

**Changes in tax laws, rules or regulations, challenges to our tax positions with respect to historical transactions, and changes in the composition of our pre-tax earnings may increase our effective tax rate and thus adversely affect our consolidated financial statements.**

Our businesses can be directly or indirectly affected by new tax legislation, the expiration of existing tax laws or the interpretation of existing tax laws worldwide. The U.S. federal and state governments, including Massachusetts, and jurisdictions around the world continue to review proposals to amend tax laws, rules and regulations applicable to our businesses that could have a negative impact on our capital or after-tax earnings. In the normal course of our business, we are subject to review by U.S. and non-U.S. tax authorities. A review by any such authority could result in an increase in our recorded tax liability. In addition to the aforementioned risks, our effective tax rate is dependent on the nature and geographic composition of our pre-tax earnings and could be negatively affected by changes in these factors.

**The market transition away from the use of the London Interbank Offered Rate (LIBOR) and other reference rates affected by reference rate reform as interest rate benchmarks may impose additional costs on us and may expose us to increased operational, model and financial risk.**

Regulators globally have mandated that banks and other regulated financial institutions stop using the London Interbank Offered Rate (LIBOR - a floating benchmark interest rate for each of five major currencies) for all new financial contracts after December 31, 2021, with certain narrow exceptions. Legacy LIBOR contracts which remain outstanding after December 31, 2021 must be remediated by

market participants ahead of applicable deadlines using various mechanisms, including amendment, refinancing, implementation of industry protocols and fallback rate provisions, and if applicable, remedial legislation at the state or national level. Multiple new alternative reference rates and related conventions have been developed for various financial products and national currencies, including for derivatives contracts, loans and cash products.

Our failure or inability to timely plan and implement an effective LIBOR transition program to maintain operational and service continuity and to minimize the economic impact for our clients, ourselves and other stakeholders could negatively impact our business and financial performance. Those dependencies include, without limitation, LIBOR-based securities and loans held in our investment portfolio, LIBOR-based preferred stock and long-term debt issued by us, and LIBOR-based client fee schedules and deposit pricing. Also, to mitigate any potential weaknesses in the underlying models, inadequate assumptions or reliance on poor or inaccurate data, our internal models which support decision making and risk management may require adjustments.

Assets held by our customers in the investment portfolios that we service, or in the investment portfolios that we manage for others, may have LIBOR-based terms. As such, we must enhance our processes and systems to account for new alternative reference rates-based instruments and products as they come to market, the transition of existing LIBOR-based instruments to their fallback language, and uncertainty as to how such instruments should be valued where such fallback language is unclear. These process and system requirements could adversely impact our business, which in some instances is dependent on critical inputs from third parties, who themselves must timely adapt to market changes. Failure to implement the terms of those instruments in a manner consistent with customer expectations could lead to disputes and operational issues.

Failure or perceived failure to adequately manage the LIBOR transition could also affect our ability to attract and retain clients. Uncertainty relative to external developments necessary for the market transition away from LIBOR but outside of our control, such as the passage of remedial legislation, could further increase the costs and risks of the transition for us or our subsidiaries.

## **Operational Risks**

**Our controls and procedures may fail or be circumvented, our risk management policies and procedures may be inadequate, and operational risks could adversely affect our consolidated results of operations.**

We have in the past failed and may in the future fail to identify and manage risks related to a variety of aspects of our business, including cybersecurity, information technology risk, operational risk and resiliency, interest rate risk, foreign exchange risk, trading risk, fiduciary risk, legal and compliance risk, liquidity risk and credit risk. We have adopted various controls, procedures, policies and systems to monitor and manage risk. We cannot provide assurance that those controls, procedures, policies and systems are or will be adequate to identify and manage internal and external risks, including risks related to service providers, in our various businesses. The risk of individuals, either employees or contractors, engaging in conduct harmful or misleading to clients or to us, such as consciously circumventing established control mechanisms to exceed trading or investment management limitations, committing fraud or improperly selling products or services to clients, is particularly challenging to manage through a control framework. In addition, we are subject to increased resiliency risk, requiring continuous reinvestment, enhancement and improvement in and of our information technology and operational infrastructure, controls and personnel which may not be effectively or timely deployed or integrated. Moreover, the financial and reputational impact of control or conduct failures can be significant. Persistent or repeated issues with respect to controls, information technology and operational resiliency or individual conduct have raised and may in the future raise concerns among regulators regarding our culture, governance and control environment. There can be no assurance that our efforts to address such risks will be effective. While we seek to contractually limit our financial exposure to operational risk, the degree of protection that we are able to achieve varies, and our potential exposure may be greater than the revenue we anticipate that we will earn from servicing our clients.

In addition, our businesses and the markets in which we operate are continuously evolving. For example, in 2021, we established State Street Digital to focus on the development of digital assets and technologies. We will need to make additional investments to develop the operational infrastructure and to enhance our compliance and risk management capabilities to support these businesses, which may increase the operating expenses of such businesses. Moreover, we may fail to identify or fully understand the implications of changes in our businesses or the financial markets and fail to adequately or timely

enhance our risk framework to address those changes. To the extent that our risk framework is ineffective, either because it fails to keep pace with changes in the financial markets, regulatory or industry requirements, technology and cybersecurity developments, our businesses, our counterparties, clients or service providers or for other reasons, we could incur losses, suffer reputational damage or find ourselves out of compliance with applicable regulatory or contractual mandates or expectations, and subject to regulatory inquiry or action against us.

Operational risk is inherent in all of our business activities. As a leading provider of services to institutional investors, we provide a broad array of services, including research, investment management, trading services and investment servicing that expose us to operational risk. In addition, these services generate a broad array of complex and specialized servicing, confidentiality and fiduciary requirements, many of which involve the opportunity for human, systems or process errors. We face the risk that the control policies, procedures and systems we have established to comply with our operational or security requirements will fail, will be inadequate or will become outdated. We also face the potential for loss resulting from inadequate or failed internal processes, employee supervision or monitoring mechanisms, service-provider processes or other systems or controls, which could materially affect our future consolidated results of operations. Given the volume and magnitude of transactions we process on a daily basis, operational losses represent a potentially significant financial risk for our business. Operational errors that result in us remitting funds to a failing or bankrupt entity may be irreversible, and may subject us to losses.

We may also be subject to disruptions from external events that are wholly or partially beyond our control, which could cause delays or disruptions to operational functions, including information processing and financial market settlement functions. In addition, our clients, vendors and counterparties could suffer from such events. Should these events affect us, or the clients, vendors or counterparties with which we conduct business, our consolidated results of operations could be negatively affected. When we record balance sheet accruals for probable and estimable loss contingencies related to operational losses, we may be unable to accurately estimate our potential exposure, and any accruals we establish to cover operational losses may not be sufficient to cover our actual financial exposure, which could have a material adverse effect on our consolidated results of operations.

**Cost shifting to non-U.S. jurisdictions and outsourcing may expose us to increased operational risk and reputational harm and may not result in expected cost savings.**

We manage expenses by migrating certain business processes and business support functions to lower-cost geographic locations, such as India, Poland and China, and by outsourcing to vendors and joint ventures in various jurisdictions. This effort exposes us to the risk that we may not maintain service quality, control and effective management or business resiliency within these operations during and after transitions. These migrations also involve risks that our outsourcing vendors or joint ventures may not comply with their servicing and other contractual obligations to us, including with respect to indemnification and information security, and to the risk that we may not satisfy applicable regulatory responsibilities regarding the management and oversight of outsourcing providers, joint ventures and other third parties. Our geographic footprint also exposes us to the relevant macroeconomic, political, legal and similar risks generally involved in doing business in the jurisdictions in which we establish lower-cost locations or joint ventures or in which our outsourcing vendors locate their operations, particularly in locations where we have a concentration of our operational activities, such as India, Poland and China. The increased elements of risk that arise from certain operating processes being conducted in some jurisdictions could lead to an increase in reputational risk. During periods of transition of operations, greater operational risk and client concerns exist with respect to maintaining a high level of service delivery and business continuity. The extent and pace at which we are able to move functions to lower-cost locations, joint ventures and outsourcing providers may also be affected by political, regulatory and client acceptance issues, including with respect to data use, storage and security. Such relocation or outsourcing of functions also entails costs, such as technology, real estate and restructuring expenses, which may offset or exceed the expected financial benefits of the relocation or outsourcing. In addition, the financial benefits of lower-cost locations and of outsourcings may diminish over time or could be offset in the event that the U.S. or other jurisdictions impose tax, trade barrier or other measures which seek to discourage the use of lower cost jurisdictions.

**Any failures of or damage to, attack on or unauthorized access to our information technology systems or facilities or disruptions to our continuous operations, including the systems, facilities or operations of third parties with which we do business, such as resulting from cyber-attacks, could result in significant**

**costs and reputational damage and impacts our ability to conduct our business activities.**

Our businesses depend on information technology infrastructure, both internal and external, to, among other things, record and process a large volume of increasingly complex transactions and other data, in many currencies, on a daily basis, across numerous and diverse markets and jurisdictions and to maintain that data securely. In recent years, several financial services firms have suffered successful cyber-attacks launched both domestically and from abroad, resulting in the disruption of services to clients, loss or misappropriation of sensitive or private data and reputational harm. We also have been subjected to cyber-attacks, and although we have not to our knowledge suffered a material breach or suspension of our systems, it is possible that we could suffer such a breach or suspension in the future or that we may be unaware of a prior attack. Cyber-threats are sophisticated and continually evolving. We may not implement effective systems and other measures to effectively identify, detect, prevent, mitigate, recover from or remediate the full diversity of cyber-threats or improve and adapt such systems and measures as such threats evolve and advance.

A cybersecurity incident, or a failure to protect our technology infrastructure, systems and information and our clients and others' information against cybersecurity threats, could result in the theft, loss, unauthorized access to, disclosure, misuse or alteration of information, system failures or outages or loss of access to information. The expectations of our clients and regulators with respect to the resiliency of our systems and the adequacy of our control environment with respect to such systems has and is expected to increase as the risk of cyber-attacks, which is presently elevated due to the current work-from-home environment, and the consequences of those attacks become more pronounced. We may not be successful in meeting those expectations or in our efforts to identify, detect, prevent, mitigate and respond to such cyber-incidents or for our systems to recover in a manner that does not disrupt our ability to provide services to our clients. The failure to maintain an adequate technology infrastructure and applications with effective cybersecurity controls could impact operations, adversely affect our financial results, result in loss of business, damage our reputation or impact our ability to comply with regulatory obligations, leading to regulatory fines and sanctions. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from cybersecurity threats.

Our computer, communications, data processing, networks, backup, business continuity, disaster recovery or other operating, information or technology systems, facilities and activities have suffered and in the future may suffer disruptions or otherwise fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which can adversely affect our ability to process transactions, provide services or maintain systems availability, maintain information security, compliance and internal controls or otherwise appropriately conduct our business activities. For example, in addition to cyber-attacks, there could be sudden increases in transaction or data volumes, electrical or telecommunications outages, natural disasters, or employee or contractor error or malfeasance. Third parties may also attempt to place individuals within State Street or fraudulently induce employees, vendors, clients or other users of our systems to disclose sensitive information in order to gain access to our data or that of our clients or other parties. Any such disruptions or failures may require us, among other things, to reconstruct lost data (which may not be possible), reimburse our clients' costs associated with such disruption or failure, result in loss of client business or damage our information technology infrastructure or systems or those of our clients or other parties. While we have not in the past suffered material harm or other adverse effects from such disruptions or failures, we may not successfully prevent, respond to or recover from such disruptions or failures in the future, and any such disruption or failure could adversely impact our ability to conduct our businesses, damage our reputation and cause losses, potentially materially.

The third parties with which we do business, which facilitate our business activities, to whom we outsource operations or other activities, from whom we receive products or services or with whom we otherwise engage or interact, including financial intermediaries and technology infrastructure and service providers, are also susceptible to the foregoing risks (including the third parties with which they are similarly interconnected or on which they otherwise rely), and our or their business operations and activities have been and may in the future be adversely affected, perhaps materially, by failures, terminations, errors or malfeasance by, or attacks or constraints on, one or more financial, technology, infrastructure or government institutions or intermediaries with whom we or they are interconnected or conduct business.

In particular, we, like other financial services firms, will continue to face increasing cyber-threats, including computer viruses, malicious code, distributed denial of service attacks, phishing attacks, ransomware, hacker attacks, limited availability of

services, unauthorized access, information security breaches or employee or contractor error or malfeasance that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our, our clients' or other parties' confidential, personal, proprietary or other information or otherwise disrupt, compromise or damage our or our clients' or other parties' business assets, operations and activities. These and similar types of threats are occurring globally with greater frequency and intensity, and we may not anticipate or implement effective preventative measures against, or identify and detect one or more, such threats, particularly because the techniques used change frequently or may not be recognized until after they are launched. Our status as a G-SIB likely increases the risk that we are targeted by such cybersecurity threats. In addition, some of our service offerings, such as data warehousing, may also increase the risk we are, and the consequences of being, so targeted. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from cybersecurity threats. We therefore could experience significant related costs and legal and financial exposures, including lost or constrained ability to provide our services or maintain systems availability to clients, regulatory inquiries, enforcements, actions and fines, litigation, damage to our reputation or property and enhanced competition.

Due to our dependence on technology and the important role it plays in our business operations, we are attempting to improve and update our information technology infrastructure, among other things: (1) as some of our systems are approaching the end of their useful life, are redundant or do not share data without reconciliation; (2) to be more efficient, meet increasing client and regulatory security, resiliency and other expectations and support opportunities of growth; and (3) to enhance resiliency and maintain business continuity. Updating these systems involves material costs and often involves implementation, integration and security risks, including risks that we may not adequately anticipate the market or technological trends, regulatory expectations or client needs or experience unexpected challenges that could cause financial, reputational and operational harm. Failing to properly respond to and invest in changes and advancements in technology can limit our ability to attract and retain clients, prevent us from offering similar products and services as those offered by our competitors, impair our ability to maintain continuous operations, inhibit our ability to meet regulatory requirements and subject us to regulatory inquiries.

### **Long-term contracts expose us to pricing and performance risk.**

We frequently enter into long-term client servicing contracts in our Investment Servicing business. These include outsourcing and other core services contracts and can involve information technology development. These arrangements generally set forth our fee schedule for the term of the contract and, absent a change in service requirements, do not permit us to re-price the contract for changes in our costs or for market pricing. The long-term contracts for these relationships require, in some cases, considerable up-front investment by us, including technology and conversion costs, and carry the risk that pricing for the products and services we provide might not prove adequate to generate expected operating margins over the term of the contracts.

The profitability of these contracts is largely a function of our ability to accurately calculate pricing for our services, efficiently assume our contractual responsibilities in a timely manner, control our costs and maintain the relationship with the client for an adequate period of time to recover our up-front investment. Our estimate of the profitability of these arrangements can be adversely affected by declines in or inaccurate projections of the assets under the clients' management, whether due to general declines in the securities markets or client-specific issues. In addition, the profitability of these arrangements may be based on our ability to cross-sell additional services to these clients, and we may be unable to do so. In addition, such contracts may permit early termination or reduction in services in the event that certain service levels are not met, which termination or service reduction may result in loss of upfront investment in onboarding the client.

Performance risk exists in each contract, given our dependence on successful conversion and implementation onto our own operating platforms of the service activities provided. Our failure to meet specified service levels or implementation timelines may also adversely affect our revenue from such arrangements, or permit early termination of the contracts by the client. If the demand for these types of services were to decline, we could see our revenue decline.

### **Our businesses may be negatively affected by adverse publicity or other reputational harm.**

Our relationship with many of our clients is predicated on our reputation as a fiduciary and a service provider that adheres to the highest standards of ethics, service quality and regulatory compliance, as well as a leading provider of the products and services we offer. Adverse publicity, regulatory actions or fines, litigation, operational failures, loss of client opportunities or market share or the failure to meet client expectations or fiduciary or other obligations could materially and adversely affect our reputation, our ability to attract and retain clients or key employees or our sources of funding for the same or other businesses. For example, over the past decade we have experienced adverse publicity with respect to our indirect foreign exchange trading, and this adverse publicity has contributed to a shift of client volume to other foreign exchange execution methods. Similarly, governmental actions and reputational issues in our transition management business in the U.K. have adversely affected our transition management revenue and, with criminal convictions or guilty pleas of three of our former employees in 2018 and the deferred prosecution agreement we entered into with the in early 2017 and the related SEC settlement, these effects have the potential to continue. The client invoicing matter we announced in late 2015, and the related deferred prosecution agreement entered into in May 2021, have had similar effects. For additional information about these matters, see the risk factor "*Our businesses may be adversely affected by government enforcement and litigation.*"

Preserving and enhancing our reputation also depends on maintaining systems, procedures and controls that address known risks and regulatory requirements, as well as our ability to timely identify, understand and mitigate additional risks that arise due to changes in our businesses and the marketplaces in which we operate, the regulatory environment and client expectations.

### **We may not be able to protect our intellectual property, and we are subject to claims of third-party intellectual property rights.**

Our potential inability to protect our intellectual property and proprietary technology effectively may allow competitors to duplicate our technology and products and may adversely affect our ability to compete with them. To the extent that we do not protect our intellectual property effectively through patents, maintaining trade secrets or other means in all of the jurisdictions in which we operate or market our products and services, other parties, including former employees, with knowledge of our intellectual property may seek to exploit our intellectual property for their own or others' advantage. In addition, we

may infringe on claims of third-party patents, and we may face intellectual property challenges from other parties, including clients or service providers with whom we may engage in the development or implementation of other products, services or solutions or to whose information we may have access for limited permitted purposes but with whom we also compete. The risk of such infringement is enhanced in the current competitive “Fintech” environment, particularly with respect to our development of new products and services containing significant technology elements and dependencies, any of which could become the subject of an infringement claim. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes. Third-party intellectual rights, valid or not, may also impede our deployment of the full scope of our products and service capabilities in all jurisdictions in which we operate or market our products and services.

**The quantitative models we use to manage our business may contain errors that result in inadequate risk assessments, inaccurate valuations or poor business and risk management decisions, and lapses in disclosure controls and procedures or internal control over financial reporting could occur, any of which could result in material harm.**

We use quantitative models to help manage many different aspects of our businesses. As an input to our overall assessment of capital adequacy, we use models to measure the amount of credit risk, market risk, operational risk, interest rate risk and liquidity risk we face. During the preparation of our consolidated financial statements, we sometimes use models to measure the value of asset and liability positions for which reliable market prices are not available. We also use models to support many different types of business decisions including trading activities, investment, hedging, asset-and-liability management and whether to change business strategy. We also use artificial intelligence and machine learning models to automate or enhance certain business processes. Weaknesses in the underlying model, inadequate model assumptions, normal model limitations, inappropriate model use, weaknesses in model implementation or poor data quality, could result in unanticipated and adverse consequences, including material loss and material non-compliance with regulatory requirements or expectations. Because of our widespread usage of models, potential weaknesses in our MRM practices pose an ongoing risk to us.

We also use quantitative models in our risk measurement and may fail to accurately quantify the magnitude of the risks we face. Our measurement methodologies rely on many assumptions and historical analyses and correlations. These assumptions may be incorrect, and the historical correlations on which we rely may not continue to be relevant. Consequently, the measurements that we make for regulatory purposes may not adequately capture or express the true risk profiles of our businesses. Moreover, as businesses and markets evolve, our measurements may not accurately reflect this evolution. While our risk measures may indicate sufficient capitalization, they may underestimate the level of capital necessary to conduct our businesses.

Additionally, our disclosure controls and procedures may not be effective in every circumstance, and, similarly, it is possible we may identify a material weakness or significant deficiency in internal control over financial reporting. Any such lapses or deficiencies may materially and adversely affect our business and consolidated results of operations or consolidated financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the lapses or deficiencies, expose us to regulatory or legal proceedings, subject us to fines, penalties or judgments or harm our reputation.

**Our reputation and business prospects may be damaged if our clients incur substantial losses in investment pools that we sponsor or manage or are restricted in redeeming their interests in these investment pools.**

We manage assets on behalf of clients in several forms, including in collective investment pools, money market funds, securities finance collateral pools, cash collateral and other cash products and short-term investment funds. Our management of collective investment pools on behalf of clients exposes us to reputational risk and operational losses. If our clients incur substantial investment losses in these pools, receive redemptions as in-kind distributions rather than in cash, or experience significant under-performance relative to the market or our competitors' products, our reputation could be significantly harmed, which harm could significantly and adversely affect the prospects of our associated business units. Because we often implement investment and operational decisions and actions over multiple investment pools to achieve scale, we face the risk that losses, even small losses, may have a significant effect in the aggregate.

Within our Investment Management business, we manage investment pools, such as mutual funds and collective investment funds that generally offer our clients the ability to withdraw their investments on short notice, generally daily or monthly. This feature requires that we manage those pools in a manner that takes into account both maximizing the long-term return on the investment pool and retaining sufficient liquidity to meet reasonably anticipated liquidity requirements of our clients. The importance of maintaining liquidity varies by product type, but it is a particularly important feature in money market funds and other products designed to maintain a constant net asset value of \$1.00. In the past, we have imposed restrictions on cash redemptions from the agency lending collateral pools, as the per-unit market value of those funds' assets had declined below the constant \$1.00 the funds employ to effect purchase and redemption transactions. Both the decline of the funds' net asset value below \$1.00 and the imposition of restrictions on redemptions had a significant client, reputational and regulatory impact on us, and the recurrence of such or similar circumstances in the future could adversely impact our consolidated results of operations and financial condition. We have also in the past continued to process purchase and redemption of units of investment products designed to maintain a constant net asset value at \$1.00 although the fair market value of the fund's assets were less than \$1.00. If in the future we were to continue to process purchases and redemptions from such products at \$1.00 when the fair market value of our collateral pools' assets is less than \$1.00, we could be exposed to significant liability.

If higher than normal demands for liquidity from our clients were to occur, managing the liquidity requirements of our collective investment pools could become more difficult. If such liquidity problems were to recur, our relationships with our clients may be adversely affected, and, we could, in certain circumstances, be required to consolidate the investment pools into our consolidated statement of condition; levels of redemption activity could increase; and our consolidated results of operations and business prospects could be adversely affected. In addition, if a money market fund that we manage were to have unexpected liquidity demands from investors in the fund that exceeded available liquidity, the fund could be required to sell assets to meet those redemption requirements, and selling the assets held by the fund at a reasonable price, if at all, may then be difficult.

Because of the size of the investment pools that we manage, we may not have the financial ability or regulatory authority to support the liquidity or other demands of our clients. Any decision by us to provide financial support to an investment pool to support our

reputation in circumstances where we are not statutorily or contractually obligated to do so could result in the recognition of significant losses, could adversely affect the regulatory view of our capital levels or plans and could, in some cases, require us to consolidate the investment pools into our consolidated statement of condition. Any failure of the pools to meet redemption requests, or under-performance of our pools relative to similar products offered by our competitors, could harm our business and our reputation.

**We may incur losses arising from our investments in sponsored investment funds, which could be material to our consolidated results of operations in the periods incurred.**

In the normal course of business, we manage various types of sponsored investment funds through State Street Global Advisors. The services we provide to these sponsored investment funds generate management fee revenue, as well as servicing fees from our other businesses. From time to time, we may invest in the funds, which we refer to as seed capital, in order for the funds to establish a performance history for newly launched strategies. These funds may meet the definition of variable interest entities, as defined by U.S. GAAP, and if we are deemed to be the primary beneficiary of these funds, we may be required to consolidate these funds in our consolidated financial statements under U.S. GAAP. The funds follow specialized investment company accounting rules which prescribe fair value for the underlying investment securities held by the funds.

In the aggregate, we expect any financial losses that we realize over time from these seed investments to be limited to the actual amount invested in the consolidated fund. However, in the event of a fund wind-down, gross gains and losses of the fund may be recognized for financial accounting purposes in different periods during the time the fund is consolidated but not wholly owned. Although we expect the actual economic loss to be limited to the amount invested, our losses in any period for financial accounting purposes could exceed the value of our economic interests in the fund and could exceed the value of our initial seed capital investment.

In instances where we are not deemed to be the primary beneficiary of the sponsored investment fund, we do not include the funds in our consolidated financial statements. Our risk of loss associated with investment in these unconsolidated funds primarily represents our seed capital investment, which could become realized as a result of poor investment performance. However, the amount of loss we may recognize during any period would be limited to the carrying amount of our investment.

**Climate change may increase the frequency and severity of major weather events and could adversely affect our business operations and resiliency, and related impacts to us, our clients, our counterparties and financial market participants could adversely affect our consolidated results of operations and financial condition.**

Our businesses and the activities of our clients, our counterparties and financial market participants on which we and they rely could be adversely affected by major weather events, changing climate patterns or other disruptions caused by climate change affecting the regions, countries and locations in which we or they have operations or other interests. Potential events or disruptions of this nature include significant rainfall, flooding, increased frequency or intensity of wildfires, prolonged drought, rising sea levels and rising heat index. These events or disruptions, alone or in combination, also have the potential to strain or deplete infrastructure and response capabilities with respect to other weather events, such as hurricanes and other storms. The occurrence of any one or more of these events may negatively affect our or our clients', our counterparties' or financial markets participants' (including providers of financial market infrastructure's) facilities, operations or personnel or may otherwise disrupt our or their business activities and resiliency capabilities, including our or their provision of products and services or the value of our or their portfolio investments, perhaps materially. These consequences, including a reduction in asset values affecting the levels of our AUC/A or AUM and repricing of credit risk of our counterparties or reflected in our portfolio assets, could materially adversely affect our results of operations or financial condition.

In addition, impacts associated with climate change-related legislative and regulatory initiatives and the transition to a low carbon economy, including meeting new regulatory expectations, retrofitting of assets, purchasing carbon credits or paying carbon taxes, may result in operational changes and additional expenditures that could adversely affect us. Our reputation and business prospects may also be damaged if we do not, or are perceived not to, effectively prepare for the potential business and operational opportunities and risks associated with climate change, including through the development and marketing of effective and competitive new products and services designed to address our clients' climate risk-related needs. These risks include negative market perception, diminished sales effectiveness and regulatory and litigation consequences associated with greenwashing claims or driven by association with clients, industries or

products that may be inconsistent with our stated positions on climate change issues.

**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.**

Acts of terrorism, natural disasters or the emergence of a new pandemic could significantly affect our business. We have instituted disaster recovery and continuity plans to address risks from terrorism, natural disasters and pandemic; however, anticipating or addressing all potential contingencies is not possible for events of this nature. Acts of terrorism, either targeted or broad in scope, or natural disasters could damage our physical facilities, harm our employees and disrupt our operations. A pandemic, or concern about a possible pandemic, could lead to operational difficulties and impair our ability to manage our business. Acts of terrorism, natural disasters and pandemics could also negatively affect our clients, counterparties and service providers, as well as result in disruptions in general economic activity and the financial markets.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

Our headquarters is located at State Street Financial Center, One Lincoln Street, Boston, Massachusetts, a 36-story leased office building. Various divisions of our two lines of business, as well as support functions, occupy space in this building. We occupy two buildings located in Quincy, Massachusetts, one of which we own and one of which we lease, along with the Channel Center, another leased office building located in Boston, all of which function as our principal facilities.

As of December 31, 2021 and 2020, we occupied a total of approximately 6.2 million and 6.5 million square feet of office space and related facilities worldwide, respectively, of which approximately 5.2 million and 5.5 million square feet were leased, respectively. The following table provides information regarding our principal office space and related facilities:

<b>Principal Properties<sup>(1)</sup></b>	<b>City</b>	<b>State/ Country</b>	<b>Owned/ Leased</b>
<b>U.S. and Canada:</b>			
State Street Financial Center	Boston	MA	Leased
Channel Center	Boston	MA	Leased
District Avenue	Burlington	MA	Leased
Heritage Drive	Quincy	MA	Leased
John Adams Building	Quincy	MA	Owned
Grafton Data Center	Grafton	MA	Owned
Westborough Data Center	Westborough	MA	Owned
Summer Street	Stamford	CT	Leased
Pennsylvania Avenue	Kansas City	MO	Leased
Adelaide Street East	Toronto	Canada	Leased
<b>Europe, Middle East and Africa:</b>			
Churchill Place	London	England	Leased
Sir John Rogerson's Quay	Dublin	Ireland	Leased
Kirchberg	Luxembourg	Luxembourg	Leased
Titanium Tower	Gdansk	Poland	Leased
BIG	Krakow	Poland	Leased
CBK	Krakow	Poland	Leased
<b>Asia Pacific:</b>			
San Dun	Hangzhou	China	Leased
Tian Tang	Hangzhou	China	Leased
Ecoworld 6B	Bangalore	India	Leased
Ecoworld 7	Bangalore	India	Leased
Knowledge City Salarpuria	Hyderabad	India	Leased

<sup>(1)</sup> We lease other properties in the above regions which consist of 35 locations in Americas, 31 locations in Europe, Middle East and Africa (EMEA) and 35 locations in APAC.

## **ITEM 3. LEGAL PROCEEDINGS**

The information required by this Item is provided under "Legal and Regulatory Matters" in Note 13 to the consolidated financial statements in this Form 10-K, and is incorporated herein by reference.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table presents certain information with respect to each of our executive officers as of February 17, 2022.

Name	Age	Position
Ronald P. O'Hanley	65	Chairman, President and Chief Executive Officer
Eric W. Aboaf	57	Executive Vice President and Chief Financial Officer
Ian W. Appleyard	57	Executive Vice President, Global Controller and Chief Accounting Officer
Francisco Aristeguieta	56	Executive Vice President and Chief Executive Officer of State Street Institutional Services
Andrew J. Erickson	52	Executive Vice President, Chief Productivity Officer and Head of International
Kathryn M. Horgan	56	Executive Vice President and Chief Human Resources and Citizenship Officer
Bradford Hu	58	Executive Vice President and Chief Risk Officer
Louis D. Maiuri	57	Executive Vice President and Chief Operating Officer
David C. Phelan	64	Executive Vice President, General Counsel and Secretary
Michael L. Richards	63	Executive Vice President and Chief Administrative Officer
Cyrus Taraporevala	55	President and Chief Executive Officer, State Street Global Advisors

All executive officers are appointed by the Board of Directors and hold office at the discretion of the Board. No family relationships exist among any of our directors and executive officers.

Mr. O'Hanley joined State Street in April 2015 and since January 1, 2019 has served as the President and Chief Executive Officer. He was appointed Chairman of the Board effective January 1, 2020. Prior to this role Mr. O'Hanley served as President and Chief Operating Officer from November 2017 to December 2018 and served as Vice Chairman from January 1, 2017 to November 2017. He served as the Chief Executive Officer and President of State Street Global Advisors, the investment management arm of State Street Corporation, from April 2015 to November 2017. Prior to joining State Street, Mr. O'Hanley was president of Asset Management & Corporate Services for Fidelity Investments, a financial and mutual fund services corporation, from 2010 to February 2014. From 1997 to 2010, Mr. O'Hanley served in various positions at Bank of New York Mellon, a global banking and financial services corporation, serving as president and chief executive officer of BNY Asset Management in Boston from 2007 to 2010.

Mr. Aboaf joined State Street in December 2016 as Executive Vice President and has served as Executive Vice President and Chief Financial Officer since February 2017. Prior to joining State Street, Mr.

Aboaf served as chief financial officer of Citizens Financial Group, a financial services and retail banking firm, from April 2015 to December 2016, with responsibility for all finance functions and corporate development. From 2003 to March 2015, he served in several senior management positions for Citigroup, a global investment banking and financial services corporation, including as global treasurer and as the chief financial officer of the institutional client group, which included the custody business.

Mr. Appleyard joined State Street in May 2018 as Executive Vice President, Global Controller and Chief Accounting Officer. Prior to joining State Street, Mr. Appleyard served as managing director in group finance for Credit Suisse, a provider of financial services, from May 2013 to April 2018 and held several senior management positions with Credit Suisse after joining in September 2008. Prior to Credit Suisse, Mr. Appleyard held senior positions at HSBC and JPMorgan.

Mr. Aristeguieta joined State Street in July 2019 and since June 2020 has served as Chief Executive Officer of State Street Institutional Services. Prior to this role, he served as Executive Vice President and Chief Executive Officer of International Business from July 2019 to June 2020. Prior to joining State Street, Mr. Aristeguieta was Chief Executive Officer of Citigroup Asia, an international investment banking and financial services provider, from June 2015 to June 2019. Prior to that role, he served as Chief Executive Officer of Citigroup Latin America from January 2013 to June 2015 and before that he led Citigroup's Transaction Services Group in Latin America encompassing securities servicing, trade and cash management, and served as vice chairman of Banco de Chile.

Mr. Erickson joined State Street in April 1991 and since June 2020 has served as Executive Vice President, Chief Productivity Officer and head of State Street's International business. Prior to this role, he served as Executive Vice President and head of the Global Services business from November 2017 to June 2020. Prior to this role and commencing in June 2016, he served as Executive Vice President and head of Investment Services business in the Americas. Prior to that role, Mr. Erickson was the head of the Global Services business in Asia Pacific from April 2014 to June 2016 and prior to that was head of North Asia for Global Services from 2010 to April 2014. Mr. Erickson has also held several other positions within State Street during his over 25 years with State Street.

Ms. Horgan joined State Street in April 2009 and has served as Executive Vice President and Chief Human Resources and Citizenship Officer since March 2017. Prior to this role, she served as Chief Operating Officer for State Street's Global Human Resources division from 2011 to March 2017 and

since 2012 has served as an Executive Vice President. Prior to 2011, Ms. Horgan served as the Senior Vice President of Human Resources for State Street Global Advisors. Before joining State Street, Ms. Horgan was the Executive Vice President of human resources for Old Mutual Asset Management, a global, diversified multi-boutique asset management company, from 2006 to 2009.

Mr. Hu joined State Street in November 2021 as Executive Vice President and has served as Executive Vice President and Chief Risk Officer since January 2022. Prior to joining State Street, Mr. Hu was Chief Risk Officer of Citigroup, a global investment banking and financial services corporation, from January 2013 to December 2020, and Chief Risk Officer of Citi Asia-Pacific, from August 2008 to December 2012. Prior to that, Mr. Hu held several senior leadership roles at Morgan Stanley in the Global Equity, Global Capital Markets and Investment Banking divisions.

Mr. Maiuri joined State Street in October 2013 and since February 2019 has served as Executive Vice President and Chief Operating Officer. Prior to this role, Mr. Maiuri served as Executive Vice President and head of State Street Global Markets from June 2016 to February 2019 and head of State Street Global Exchange from July 2015 to January 2017. From 2013 to July 2015, he led State Street's Securities Finance division. Before joining State Street, Mr. Maiuri served as executive vice president and deputy chief executive officer of asset servicing at BNY Mellon, a global banking and financial services corporation, from 2009 to 2013.

Mr. Phelan joined State Street in 2006 as Executive Vice President and General Counsel. In July 2020, Mr. Phelan's responsibilities were expanded to include State Street's regulatory, security and corporate administration functions globally. He also serves as State Street's Corporate Secretary. Prior to joining State Street, Mr. Phelan served as a senior partner at Wilmer Cutler Pickering Hale and Dorr LLP from 1993 to 2006.

Mr. Richards joined State Street in June 2014 and since April 2020 has served as Executive Vice President and Chief Administrative Officer. Prior to that role, he served as Executive Vice President and General Auditor from June 2014 to April 2020. Prior to joining State Street, Mr. Richards was a partner at Ernst & Young and was responsible for managing their Banking Capital Markets practice in the United States.

Mr. Taraporevala joined State Street in April 2016 and since November 2017 has served as President and Chief Executive Officer of State Street Global Advisors. He joined State Street Global Advisors as Executive Vice President and Global Head of Product and Marketing. Prior to joining State Street Global Advisors, Mr. Taraporevala was the

head of Retail Managed Accounts and Life Insurance & Annuities for Fidelity Investments from 2012 to October 2015. Prior to that, Mr. Taraporevala held senior leadership roles at BNY Mellon Asset Management, including executive director of North American distribution.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### MARKET FOR REGISTRANT'S COMMON EQUITY

Our common stock is listed on the New York Stock Exchange under the ticker symbol STT. There were 2,196 shareholders of record as of January 31, 2022.

In January 2021, our Board authorized a share repurchase program for the purchase of up to \$475 million of our common stock through March 31, 2021. We repurchased \$475 million of our common stock in the first quarter of 2021. In April 2021, our Board authorized a common share repurchase program for the repurchase of up to \$425 million of our common stock through June 30, 2021, in compliance with the limit set by the Federal Reserve. We repurchased \$425 million of our common stock in the second quarter of 2021. In July 2021, our Board authorized a share repurchase program for the repurchase of up to \$3.0 billion of our common stock through the end of 2022.

In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion. We expect to use these net proceeds to finance our planned acquisition of the BBH Investor Services business.

In connection with our planned acquisition of the BBH Investor Services business, we did not repurchase any common stock during the third and fourth quarters of 2021 under the common share repurchase plan approved by our Board in July 2021, and we do not intend to repurchase any common stock during the first quarter of 2022. We intend to resume our common share repurchases during the second quarter of 2022.

Stock purchases may be made using various types of mechanisms, including open market purchases or transactions off market, and may be made under Rule 10b5-1 trading programs. The timing of stock purchases, types of transactions and number of shares purchased will depend on several factors, including market conditions, our capital position, our financial performance and investment opportunities. Our common stock purchase program does not have specific price targets and may be

suspended at any time. We may employ third-party broker/dealers to acquire shares on the open market in connection with our common stock purchase programs. The common stock purchase program does not have specific price targets and may be suspended at any time.

Additional information about our common stock, including Board authorization with respect to purchases by us of our common stock, is provided under "Capital" in "Financial Condition" in our Management's Discussion and Analysis and in Note 15 to the consolidated financial statements in this Form 10-K, and is incorporated herein by reference.

#### **RELATED STOCKHOLDER MATTERS**

As a bank holding company, our Parent Company is a legal entity separate and distinct from its principal banking subsidiary, State Street Bank, and its non-banking subsidiaries. The right of the Parent Company to participate as a shareholder in any distribution of assets of State Street Bank upon its liquidation, reorganization or otherwise is subject to the prior claims by creditors of State Street Bank, including obligations for federal funds purchased and securities sold under repurchase agreements and deposit liabilities.

Payment of dividends by State Street Bank is subject to the provisions of the Massachusetts banking law, which provide that State Street Bank's Board of Directors may declare, from State Street Bank's "net profits," as defined below, cash dividends annually, semi-annually or quarterly (but not more frequently) and can declare non-cash dividends at any time. Under Massachusetts banking law, for purposes of determining the amount of cash dividends that are payable by State Street Bank, "net profits" is defined as an amount equal to the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets, after deducting from the total thereof all current operating expenses, actual losses, accrued dividends on preferred stock, if any, and all federal and state taxes.

No dividends may be declared, credited or paid so long as there is any impairment of State Street Bank's capital stock. The approval of the Massachusetts Commissioner of Banks is required if the total of all dividends declared by State Street Bank in any calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years, less any required transfer to surplus or to a fund for the retirement of any preferred stock.

Under Federal Reserve regulations, the approval of the Federal Reserve would be required for the payment of dividends by State Street Bank if the total amount of all dividends declared by State Street Bank in any calendar year, including any proposed dividend, would exceed the total of its net income for such calendar year as reported in State Street Bank's *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices Only - FFIEC 031*, commonly referred to as the "Call Report," as submitted through the Federal Financial Institutions Examination Council and provided to the Federal Reserve, plus its "retained net income" for the preceding two calendar years. For these purposes, "retained net income," as of any date of determination, is defined as an amount equal to State Street Bank's net income (as reported in its Call Reports for the calendar year in which retained net income is being determined) less any dividends declared during such year. In determining the amount of dividends that are payable, the total of State Street Bank's net income for the current year and its retained net income for the preceding two calendar years is reduced by any net losses incurred in the current or preceding two-year period and by any required transfers to surplus or to a fund for the retirement of preferred stock.

Prior Federal Reserve approval also must be obtained if a proposed dividend would exceed State Street Bank's "undivided profits" (retained earnings) as reported in its Call Reports. State Street Bank may include in its undivided profits amounts contained in its surplus account, if the amounts reflect transfers of undivided profits made in prior periods and if the Federal Reserve's approval for the transfer back to undivided profits has been obtained.

Under the PCA provisions adopted pursuant to the FDIC Improvement Act of 1991, State Street Bank may not pay a dividend when it is deemed, under the PCA framework, to be under-capitalized, or when the payment of the dividend would cause State Street Bank to be under-capitalized. If State Street Bank is under-capitalized for purposes of the PCA framework, it must cease paying dividends for so long as it is deemed to be under-capitalized. Once earnings have begun to improve and an adequate capital position has been restored, dividend payments may resume in accordance with federal and state statutory limitations and guidelines.

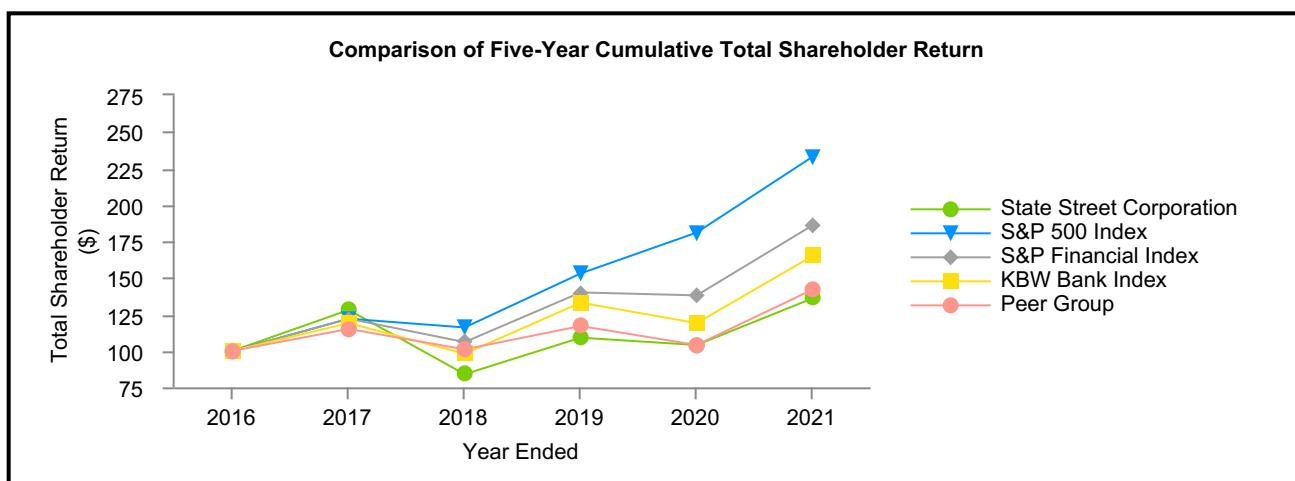
For a discussion of the role of the Federal Reserve and its regulations in connection with the Parent Company's capital planning and dividend practices, see "Capital Planning, Stress Tests and Dividends" in "Supervision and Regulation" in "Item 1. Business". Information about dividends declared by our Parent Company and dividends from our subsidiary banks is provided under "Capital" in "Financial Condition" in our Management's Discussion and Analysis, and in Note 15 to the consolidated financial statements in this Form 10-K, and is incorporated herein by reference. Future dividend payments of State Street Bank and our non-banking subsidiaries cannot be determined at this time. In addition, refer to "Capital Planning, Stress Tests and Dividends" in "Supervision and Regulation" in Business in this Form 10-K and the risk factor "*Our business and capital-related activities, including our ability to return capital to shareholders and repurchase our capital stock, may be adversely affected by our implementation of regulatory capital and liquidity standards that we must meet or in the event our capital plan or post-stress capital ratios are determined to be insufficient as a result of regulatory capital stress testing*" in Risk Factors in this Form 10-K.

Information about our equity compensation plans is in Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, and in Note 18 to the consolidated financial statements in this Form 10-K, and is incorporated herein by reference.

## SHAREHOLDER RETURN PERFORMANCE PRESENTATION

The graph presented below compares the cumulative total shareholder return on our common stock to the cumulative total return of the S&P 500 Index, the S&P Financial Index and the KBW Bank Index over a five-year period. The cumulative total shareholder return assumes the investment of \$100 in our common stock and in each index on December 31, 2016. It also assumes reinvestment of common stock dividends.

The S&P Financial Index is a publicly available, capitalization-weighted index, comprised of 67 of the Standard & Poor's 500 companies, representing 26 diversified financial services companies, 22 insurance companies and 19 banking companies. The KBW Bank Index is a modified cap-weighted index consisting of 24 exchange-listed stocks, representing national money center banks and leading regional institutions. The Peer Group is composed of The Bank of New York Mellon Corporation and Northern Trust Corporation. The Peer Group is expected to replace either or both of the KBW Bank Index or the S&P Financial Index in future periods as we believe it reflects a more useful comparison of our most direct peer group.



	2016	2017	2018	2019	2020	2021
State Street Corporation	\$ 100	\$ 128	\$ 84	\$ 109	\$ 104	\$ 136
S&P 500 Index	100	122	116	153	181	233
S&P Financial Index	100	122	106	140	138	186
KBW Bank Index	100	119	98	133	119	165
Peer group	100	115	101	117	104	142

The table presented below compares the cumulative total shareholder return on our common stock to the cumulative total return of the S&P 500 Index, the S&P Financial Index, the KBW Bank Index and a Peer Group over a one-year, three-year and five-year period.

	1 year	3 years	5 years
State Street Corporation	31 %	61 %	36 %
S&P 500 Index	29	100	133
S&P Financial Index	35	75	86
KBW Bank Index	38	69	65
Peer group	38	40	42

## **ITEM 6. [RESERVED]**

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **GENERAL**

As of December 31, 2021, we had consolidated total assets of \$314.62 billion, consolidated total deposits of \$255.04 billion, consolidated total shareholders' equity of \$27.36 billion and approximately 39,000 employees. We operate in more than 100 geographic markets worldwide, including the U.S., Canada, Latin America, Europe, the Middle East and Asia.

Our operations are organized into two lines of business, Investment Servicing and Investment Management, which are defined based on products and services provided. For the description of our lines of business, refer to "Lines of Business" in Item 1 in this Form 10-K.

For financial and other information about our lines of business, refer to "Line of Business Information" in this Management's Discussion and Analysis and Note 24 to the consolidated financial statements in this Form 10-K.

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements and accompanying notes to consolidated financial statements in this Form 10-K. Certain previously reported amounts presented in this Form 10-K have been reclassified to conform to current-period presentation.

We prepare our consolidated financial statements in conformity with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in its application of certain accounting policies that materially affect the reported amounts of assets, liabilities, equity, revenue and expenses.

The significant accounting policies that require us to make judgments, estimates and assumptions that are difficult, subjective or complex about matters that are uncertain and may change in subsequent periods include:

- accounting for fair value measurements;
- allowance for credit losses;
- impairment of goodwill and other intangible assets; and
- contingencies.

These significant accounting policies require the most subjective or complex judgments, and underlying estimates and assumptions could be subject to revision as new information becomes available. Additional information about these

significant accounting policies is included under "Significant Accounting Estimates" in this Management's Discussion and Analysis.

Certain financial information provided in this Form 10-K, including this Management's Discussion and Analysis, is prepared on both a U.S. GAAP, or reported basis, and a non-GAAP basis, including certain non-GAAP measures used in the calculation of identified regulatory ratios. We measure and compare certain financial information on a non-GAAP basis, including information that management uses in evaluating our business and activities. Non-GAAP financial information should be considered in addition to, and not as a substitute for or superior to, financial information prepared in conformity with U.S. GAAP. Any non-GAAP financial information presented in this Form 10-K, including this Management's Discussion and Analysis, is reconciled to its most directly comparable currently applicable regulatory ratio or U.S. GAAP-basis measure. We further believe that our presentation of fully taxable-equivalent NII, a non-GAAP measure, which reports non-taxable revenue, such as interest income associated with tax-exempt investment securities, on a fully taxable-equivalent basis, facilitates an investor's understanding and analysis of our underlying financial performance and trends.

This Management's Discussion and Analysis contains statements that are considered "forward-looking statements" within the meaning of U.S. securities laws. Forward-looking statements include statements about our goals and expectations regarding our business, financial and capital condition, results of operations, strategies, cost savings and transformation initiatives, investment portfolio performance, dividend and stock purchase programs, outcomes of legal proceedings, market growth, acquisitions (including, without limitation, our planned acquisition of Brown Brothers Harriman's Investor Services business), joint ventures and divestitures, client growth and new technologies, services and opportunities, as well as industry, governmental, regulatory, economic and market trends, initiatives and developments, the business environment and other matters that do not relate strictly to historical facts. These forward-looking statements involve certain risks and uncertainties which could cause actual results to differ materially. We undertake no obligation to revise the forward-looking statements contained in this Management's Discussion and Analysis to reflect events after the

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

time we file this Form 10-K with the SEC. Additional information about forward-looking statements and related risks and uncertainties is provided in "Forward-Looking Statements", "Risk Factors Summary" and "Risk Factors" in this Form 10-K.

We provide additional disclosures required by applicable bank regulatory standards, including supplemental qualitative and quantitative information with respect to regulatory capital (including market risk associated with our trading activities) and the liquidity coverage ratio, summary results of State Street-run stress tests which we conduct under the Dodd-Frank Act and resolution plan disclosures required under the Dodd-Frank Act. These additional disclosures are available on the "Investor Relations" section of our website under "Filings and Reports."

In this Form 10-K, we reference various information and materials available on our corporate website. We have included our website address in this report as an inactive textual reference only. Information on our website is not incorporated by reference in this Form 10-K.

We use acronyms and other defined terms for certain business terms and abbreviations, as defined on the acronyms list and glossary in this Form 10-K.

### OVERVIEW OF FINANCIAL RESULTS

**TABLE 1: OVERVIEW OF FINANCIAL RESULTS**

(Dollars in millions, except per share amounts)	Years Ended December 31,		
	2021	2020	2019
Total fee revenue	\$ 10,012	\$ 9,499	\$ 9,147
Net interest income	1,905	2,200	2,566
Total other income	110	4	43
Total revenue	12,027	11,703	11,756
Provision for credit losses <sup>(1)</sup>	(33)	88	10
Total expenses	8,889	8,716	9,034
Income before income tax expense	3,171	2,899	2,712
Income tax expense	478	479	470
Net income	<u>\$ 2,693</u>	<u>\$ 2,420</u>	<u>\$ 2,242</u>
Adjustments to net income:			
Dividends on preferred stock <sup>(2)</sup>	\$ (119)	\$ (162)	\$ (232)
Earnings allocated to participating securities <sup>(3)</sup>	(2)	(1)	(1)
Net income available to common shareholders	<u>\$ 2,572</u>	<u>\$ 2,257</u>	<u>\$ 2,009</u>
Earnings per common share:			
Basic	\$ 7.30	\$ 6.40	\$ 5.43
Diluted	7.19	6.32	5.38
Average common shares outstanding (in thousands):			
Basic	352,565	352,865	369,911
Diluted	357,962	357,106	373,666
Cash dividends declared per common share	\$ 2.18	\$ 2.08	\$ 1.98
Return on average common equity	10.7 %	10.0 %	9.4 %
Pre-tax margin	26.4	24.8	23.1
Return on average assets	0.9	0.9	1.0
Common dividend payout	30.3	32.9	36.8
Average common equity to average total assets	8.0	8.3	9.6

<sup>(1)</sup> We adopted ASU 2016-13, Financial Instruments-Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments, on January 1, 2020.

<sup>(2)</sup> Additional information about our preferred stock dividends is provided in Note 15 to the consolidated financial statements in this Form 10-K.

<sup>(3)</sup> Represents the portion of net income available to common equity allocated to participating securities, composed of unvested and fully vested SERP (Supplemental executive retirement plans) shares and fully vested deferred director stock awards, which are equity-based awards that contain non-forfeitable rights to dividends, and are considered to participate with the common stock in undistributed earnings.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following "Financial Results and Highlights" section provides information related to significant events, as well as highlights of our consolidated financial results for the year ended December 31, 2021 presented in Table 1: Overview of Financial Results. More detailed information about our consolidated financial results, including the comparison of our financial results for the year ended December 31, 2021 to those for the year ended December 31, 2020, is provided under "Consolidated Results of Operations", "Line of Business Information" and "Capital" which follows these sections, as well as in our consolidated financial statements in this Form 10-K.

The comparison of our financial results for the year ended December 31, 2020 to those for the year ended December 31, 2019 is included in our Management's Discussion and Analysis in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 19, 2021.

In this Management's Discussion and Analysis, where we describe the effects of changes in foreign currency translation, those effects are determined by applying applicable weighted average FX rates from the relevant 2020 period to the relevant 2021 period results.

### **Financial Results and Highlights**

- 2021 financial performance:
  - EPS of \$7.19 in 2021 increased 14% compared to \$6.32 in 2020.
  - Total fee revenue was up 5% in 2021 compared to 2020, including 1% due to currency translation.
  - Servicing and management fee revenues were up 7% and 9%, respectively, in 2021 compared to 2020.
  - In 2021, return on equity of 10.7% increased from 10.0% in 2020, primarily due to an increase in net income available to common shareholders. Pre-tax margin of 26.4% in 2021 increased from 24.8% in 2020, primarily due to an increase in total revenue.
  - Positive operating leverage of 0.8% points in 2021. Operating leverage represents the difference between the percentage change in total revenue and the percentage change in total expenses, in each case relative to the prior year period.

- Positive fee operating leverage of 3.4% points in 2021. Fee operating leverage represents the difference between the percentage change in total fee revenue and the percentage change in total expenses, in each case relative to the prior year period.
- In September 2021, we announced that we had entered into a definitive agreement to acquire the BBH Investor Services business for \$3.5 billion in cash. This announced acquisition is subject to regulatory approvals and the satisfaction or waiver of other closing conditions.
  - We expect to finance the planned acquisition of the BBH Investor Services business primarily with the proceeds of \$1.9 billion from a common stock offering completed in September 2021, a temporary suspension of repurchases of our common stock and with cash on hand.
- During 2021, our business and financial results continued to reflect effects of the COVID-19 pandemic:
  - Approximately 79% of our employees globally continued to work remotely as of December 31, 2021.
  - We continued to experience high levels of client deposits in 2021 amidst the Federal Reserve's expansionary monetary policy and growth in AUC/A.

### **Revenue**

- Total revenue increased 3% in 2021 compared to 2020. Total fee revenue increased 5% in 2021 compared to 2020, driven by increases across servicing fees, management fees, securities finance and software and processing fees.
- Servicing fee revenue increased 7% in 2021 compared to 2020, primarily due to higher average equity market levels, client activity and flows, and net new business, partially offset by normal pricing headwinds.
- Management fee revenue increased 9% in 2021 compared to 2020, primarily due to higher average equity market levels and net inflows from ETFs, partially offset by a previously reported idiosyncratic institutional client asset reallocation expected to be primarily reflected in 2022, and higher money market fee waivers.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- Foreign exchange trading services revenue decreased 11% in 2021 compared to 2020, primarily due to lower FX volatility, as compared to the high levels of volatility experienced in 2020 due to the COVID-19 pandemic, partially offset by higher client FX volumes.
- Securities finance revenue increased 17% in 2021 compared to 2020, reflecting higher client securities loan balances and new business wins in enhanced custody, partially offset by lower spreads.
- Software and processing fees revenue increased 7% in 2021 compared to 2020, primarily due to higher CRD revenues.
- NII decreased 13% in 2021 compared to 2020, primarily due to lower investment portfolio yields, partially offset by growth in the investment portfolio and deposits, and higher loan balances.

### **Provision for Credit Losses**

- There was a \$33 million release of credit reserves in 2021, compared to an expense of \$88 million in 2020, which is primarily driven by observed and expected improvements in both credit quality and economic outlook.

### **Expenses**

- Total expenses increased 2% in 2021 compared to 2020, primarily reflecting the impact of notable items and currency translation. Currency translation increased expenses by 1% in 2021 compared to 2020.

### **Notable items**

- The impact of notable items in 2021 includes:
  - \$53 million gain on the sale of a majority share of our Wealth Management Services (WMS) business, recorded in other income;
  - \$58 million gain on sale of investment securities related to a one-time transfer of LIBOR and Euro Interbank Offered Rate based securities from HTM to AFS, and the subsequent sale of the majority of those securities in 2021;
  - net repositioning release of approximately \$3 million, consisting of \$32 million release of previously accrued severance charges, partially offset by \$29 million of occupancy charges related to footprint optimization;
  - deferred compensation expense acceleration of approximately

- \$147 million associated with an amendment of certain outstanding deferred cash incentive compensation awards;
- acquisition and restructuring costs of approximately \$65 million, of which \$53 million related to CRD and \$13 million related to our planned acquisition of the BBH Investor Services business;
- net legal and other expenses of approximately \$18 million, including \$20 million in information systems and communications, \$8 million in transaction processing services and \$1 million in other expenses, partially offset by a legal accrual release of approximately \$11 million associated with a settlement related to the invoicing matter; and
- costs of \$5 million due to the partial redemption of outstanding Series F non-cumulative perpetual preferred stock representing the difference between the redemption value and the net carrying value of the preferred stock.
- The impact of notable items in 2020 includes:
  - repositioning charges of approximately \$133 million, consisting of \$82 million of compensation and employee benefits expenses and \$51 million of occupancy costs;
  - acquisition and restructuring costs of approximately \$50 million, primarily related to CRD;
  - a \$9 million accrual release; and
  - costs of \$9 million due to the redemption of all outstanding Series C non-cumulative perpetual preferred stock representing the difference between the redemption value and the net carrying value of the preferred stock.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **AUC/A and AUM**

- AUC/A of \$43.68 trillion increased 13% as of December 31, 2021, compared to December 31, 2020, primarily due to higher market levels, client flows and net new business growth. In 2021, newly announced asset servicing mandates totaled approximately \$3.52 trillion, with State Street Alpha<sup>SM</sup> representing a large proportion of the wins. Servicing assets remaining to be installed in future periods totaled approximately \$2.80 trillion as of December 31, 2021.
- AUM of \$4.14 trillion increased 19% as of December 31, 2021, compared to December 31, 2020, primarily due to higher market levels and net inflows, primarily from ETFs.

### **Capital**

- In 2021, we returned a total of approximately \$1.7 billion to our shareholders in the form of common stock dividends paid and share repurchases.
- We declared aggregate common stock dividends of \$2.18 per share, totaling \$779 million in 2021 compared to \$2.08 per share, totaling \$734 million in 2020.
- In 2021, we purchased an aggregate of 11.2 million shares of common stock, under share repurchase programs approved by our Board, at an average per share cost of \$80.00 and an aggregate cost of approximately \$900 million.
- In July 2021, our Board authorized a common share repurchase plan of up to \$3.0 billion of our common stock through the end of 2022; however, as noted above, in connection with our planned acquisition of the BBH Investor Services business, we did not repurchase any common stock during the third and fourth quarters of 2021. We do not intend to repurchase any common stock during the first quarter of 2022. We intend to resume our common share repurchases during the second quarter of 2022.
- In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion. As noted above, we expect to use these net proceeds to finance our planned acquisition of the BBH Investor Services business.
- Our standardized CET1 capital ratio increased to 14.3% as of December 31, 2021, compared to 12.3% as of December

31, 2020, primarily due to higher retained earnings and the issuance of common stock in September 2021. Our Tier 1 leverage ratio decreased to 6.1% as of December 31, 2021 compared to 6.4% as of December 31, 2020. We expect both our CET1 capital and Tier 1 leverage ratios to be at or near the lower end of our target ranges of 10-11% and 5.25-5.75%, respectively, for the first half of 2022, assuming a closing of our planned acquisition of the BBH Investor Services business during that period and inclusive of the implementation of SA-CCR.

- On March 15, 2021, we redeemed an aggregate of \$500 million, or 5,000 of the 7,500 outstanding shares, of our noncumulative perpetual preferred stock, Series F, for cash at a redemption price of \$100,000 per share (equivalent to \$1,000 per depositary share) plus all declared and unpaid dividends.

### **Debt Issuances**

- On March 3, 2021, we issued \$850 million aggregate principal amount of 2.200% Senior Subordinated Notes due 2031.
- On November 18, 2021, we issued \$500 million aggregate principal amount of 1.684% Fixed-to-Floating Rate Senior Notes due 2027.
- On February 7, 2022, we issued \$300 million aggregate principal amount of fixed-to-floating rate senior notes due 2026, \$650 million aggregate principal amount of fixed-to-floating rate senior notes due 2028 and \$550 million aggregate principal amount of fixed-to-floating rate senior notes due 2033.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## CONSOLIDATED RESULTS OF OPERATIONS

This section discusses our consolidated results of operations for 2021 compared to 2020 and should be read in conjunction with the consolidated financial statements and accompanying notes to the consolidated financial statements in this Form 10-K.

### Total Revenue

**TABLE 2: TOTAL REVENUE**

(Dollars in millions)	Years Ended December 31,			% Change 2021 vs. 2020	% Change 2020 vs. 2019
	2021	2020	2019		
<b>Fee revenue:</b>					
Servicing fees	\$ 5,549	\$ 5,167	\$ 5,074	7 %	2 %
Management fees	2,053	1,880	1,824	9	3
Foreign exchange trading services	1,211	1,363	1,058	(11)	29
Securities finance	416	356	471	17	(24)
Software and processing fees	783	733	720	7	2
<b>Total fee revenue</b>	<b>10,012</b>	<b>9,499</b>	<b>9,147</b>	<b>5</b>	<b>4</b>
<b>Net interest income:</b>					
Interest income	1,908	2,575	3,941	(26)	(35)
Interest expense	3	375	1,375	(99)	(73)
<b>Net interest income</b>	<b>1,905</b>	<b>2,200</b>	<b>2,566</b>	<b>(13)</b>	<b>(14)</b>
<b>Other income:</b>					
Gains (losses) related to investment securities, net	57	4	(1)	nm	nm
Other income	53	—	44	nm	nm
<b>Total other income</b>	<b>110</b>	<b>4</b>	<b>43</b>	<b>nm</b>	<b>nm</b>
<b>Total revenue</b>	<b>\$ 12,027</b>	<b>\$ 11,703</b>	<b>\$ 11,756</b>	<b>3</b>	<b>—</b>

<sup>nm</sup> Not meaningful

### Fee Revenue

Table 2: Total Revenue, provides the breakout of fee revenue for the years ended December 31, 2021, 2020 and 2019. Servicing and management fees collectively made up approximately 76%, 74% and 75% of the total fee revenue in 2021, 2020 and 2019, respectively.

### Servicing Fee Revenue

Generally, our servicing fee revenues are affected by several factors including changes in market valuations, client activity and asset flows, net new business and the manner in which we price our services. We provide a range of services to clients, including core custody, accounting, reporting and administration, and middle office services. The nature and mix of services provided and the asset classes for which the services are performed affect our servicing fees. The basis for fees will differ across regions and clients.

### Changes in Market Valuations

Our servicing fee revenue is impacted by both our levels and the geographic and product mix of our AUC/A. Increases or decreases in market valuations have a corresponding impact on the level of our AUC/A and servicing fee revenues, though the degree of impact will vary depending on asset types and classes and geography of assets held within our clients' portfolios. For certain asset classes where the valuation process is more complex, including alternative investments, or where our valuation is dependent on third party information, AUC/A is reported on a lag, typically one-month. For those asset classes, the impact of market levels on our reported AUC/A does not reflect current period-end market levels.

Over the five years ended December 31, 2021, we estimate that worldwide market valuations impacted our servicing fee revenues by approximately 3% on average with a range of 0% to 7% annually and approximately 7% and 2% in 2021 and 2020, respectively. See Table 3: Daily Averages, Month-End Averages and Year-End Equity Indices for selected indices. While the specific indices presented are indicative of general market trends, the asset types and classes relevant to individual client portfolios can and do differ, and the performance of associated relevant indices and of client portfolios can therefore differ from the performance of the indices presented. In addition, our asset classifications may differ from those industry classifications presented.

Assuming that all other factors remain constant, including client activity, asset flows and pricing, we estimate, using relevant information as of December 31, 2021 that a 10% increase or decrease in worldwide equity valuations, on a weighted average basis, over the relevant periods for which our servicing fees are calculated, would result in a corresponding change in our total servicing fee revenues, on average and over multiple quarters,

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of approximately 3%. We estimate, similarly assuming all other factors remain constant and using relevant information as of December 31, 2021, that changes in worldwide fixed income markets, which on a weighted average basis and over time are typically less volatile than worldwide equity markets, have a significantly smaller impact on our servicing fee revenues on average and over time.

**TABLE 3: DAILY AVERAGES, MONTH-END AVERAGES AND YEAR-END EQUITY INDICES<sup>(1)</sup>**

	Daily Averages of Indices			Month-End Averages of Indices			Year-End Indices		
	Years Ended December 31,			Years Ended December 31,			Years Ended December 31,		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
S&P 500®	4,273	3,218	33 %	4,279	3,217	33 %	4,766	3,756	27 %
MSCI EAFE®	2,289	1,854	23	2,272	1,841	23	2,336	2,148	9
MSCI® Emerging Markets	1,315	1,059	24	1,303	1,052	24	1,232	1,291	(5)

<sup>(1)</sup> The index names listed in the table are service marks of their respective owners.

**TABLE 4: YEAR-END DEBT INDICES<sup>(1)</sup>**

	As of December 31,		
	2021	2020	% Change
Barclays Capital U.S. Aggregate Bond Index®	2,355	2,392	(2)%
Barclays Capital Global Aggregate Bond Index®	532	559	(5)

<sup>(1)</sup> The index names listed in the table are service marks of their respective owners.

### Client Activity and Asset Flows

Client activity and asset flows are impacted by the number of transactions we execute on behalf of our clients, including FX settlements, equity and derivative trades, and wire transfer activity, as well as actions by our clients to change the asset class in which their assets are invested. Our servicing fee revenues are impacted by a number of factors, including transaction volumes, asset levels and asset classes in which funds are invested, as well as industry trends associated with these client-related activities.

Our clients may change the asset classes in which their assets are invested, based on their market outlook, risk acceptance tolerance or other considerations. Over the five years ended December 31, 2021, we estimate that client activity and asset flows, together, impacted our servicing fee revenues by approximately 0% on average with a range of (1)% to 2% annually and approximately 0% and 2% in 2021 and 2020, respectively. See Table 5: Industry Asset Flows for selected asset flow information. While the asset flows presented are indicative of general market trends, the asset types and classes relevant to individual client portfolios can and do differ, and our flows may differ from those market trends. In addition, our asset classifications may differ from those industry classifications presented.

**TABLE 5: INDUSTRY ASSET FLOWS**

(In billions)	Years Ended December 31,	
	2021	2020
<b>North America - (US Domiciled) - Morningstar Direct Market Data<sup>(1)(2)(3)</sup></b>		
Long-Term Funds <sup>(4)</sup>	\$ 564.2	\$ (88.3)
Money Market	423.8	676.1
Exchange-Traded Fund	543.4	271.6
<b>Total Flows</b>	<b>\$ 1,531.4</b>	<b>\$ 859.4</b>
<b>Europe - Morningstar Direct Market Data<sup>(1)(2)(5)</sup></b>		
Long-Term Funds <sup>(4)</sup>	\$ 801.0	\$ 414.4
Money Market	(56.0)	283.1
Exchange-Traded Fund	183.7	113.7
<b>Total Flows</b>	<b>\$ 928.7</b>	<b>\$ 811.2</b>

<sup>(1)</sup> Industry data is provided for illustrative purposes only. It is not intended to reflect our activity or our clients' activity and is indicative of only segments of the entire industry.

<sup>(2)</sup> Source: Morningstar. The data includes long-term mutual funds, ETFs and money market funds. Mutual fund data represents estimates of net new cash flow, which is new sales minus redemptions combined with net exchanges, while ETF data represents net issuance, which is gross issuance less gross redemptions. Data for Fund of Funds, Feeder funds and Obsolete funds were excluded from the series to prevent double counting. Data is from the Morningstar Direct Asset Flows database.

<sup>(3)</sup> The year ended December 31, 2021 data for North America (US domiciled) includes Morningstar direct actuals for January 2021 through November 2021 and Morningstar direct estimates for December 2021.

<sup>(4)</sup> The long-term fund flows reported by Morningstar direct in North America are composed of US domiciled market flows mainly in Equities, Allocation and Fixed-Income asset classes. The long-term fund flows reported by Morningstar direct in EMEA are composed of the European market flows mainly in Equities, Allocation and Fixed-Income asset classes.

<sup>(5)</sup> The year ended December 31, 2021 data for Europe is on a rolling twelve month basis for December 2020 through November 2021, sourced by Morningstar.

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### *Net New Business*

Over the five years ended December 31, 2021, net new business, which includes business both won and lost, has affected our servicing fee revenues by approximately 1% on average with a range of 0% to 3% annually and approximately 1% and 0% in 2021 and 2020, respectively. Gross investment servicing mandates were \$3.52 trillion in 2021 and \$1.8 trillion per year on average over the past five years. Over the five years ended December 31, 2021, gross annual investment servicing mandates ranged from \$750 billion to \$3.5 trillion.

Servicing fee revenue associated with new servicing mandates may vary based on the breadth of services provided, the time required to install the assets, and the types of assets installed.

Revenues associated with new mandates are not reflected in our servicing fee revenue until the assets have been installed. Our installation timeline, in general, can range from 6 to 36 months, with the average installation timeline being approximately 9 to 12 months over the past 2 years. Our more complex installations, including new State Street Alpha mandates, will generally be on the longer end of that range. With respect to the current asset mandates of approximately \$2.80 trillion that are yet to be installed as of December 31, 2021, we expect the conversion will occur over the coming 12 to 24 months.

### *Pricing*

The industry in which we operate has historically faced pricing pressure, and our servicing fee revenues are also affected by such pressures today. Consequently, no assumption should be drawn as to future revenue run rate from announced servicing wins, as the amount of revenue associated with AUC/A can vary materially. On average, over the five years ended December 31, 2021, we estimate that pricing pressure with respect to existing clients has impacted our servicing fees by approximately (2)% annually, with the impact ranging from (1)% to (4)% in any given year, and approximately (2)% in both 2021 and 2020. Pricing concessions can be a part of a contract renegotiation with a client including terms that may benefit us, such as extending the term of our relationship with the client, expanding the scope of services that we provide or reducing our dependency on manual processes through the standardization of the services we provide. The timing of the impact of additional revenue generated by anticipated additional services, and the amount of revenue generated, may differ from expectations due to the impact of pricing concessions on existing services due to the necessary time required to onboard those new services, the nature of those services and client

investment practices and other factors. These same market pressures also impact the fees we negotiate when we win business from new clients.

In order to offset the typical client attrition and normal pricing headwinds, we estimate that we need at least \$1.5 trillion of new AUC/A per year; although, notwithstanding increases in AUC/A, servicing fees remain subject to several factors, including changes in market valuations, client activity and asset flows, the manner in which we price our services, the nature of the assets being serviced and the type of services and the other factors described in this Form 10-K.

Historically, and based on an indicative sample of revenue, we estimate that approximately 55%, on average, of our servicing fee revenues have been variable due to changes in asset valuations including changes in daily average valuations of AUC/A; another 15%, on average, of our servicing fees are impacted by the volume of activity in the funds we serve; and the remaining approximately 30% of our servicing fees tend not to be variable in nature nor impacted by market fluctuations or values.

Based on the impact of the above, client activity and asset flows, net new business and pricing, noted drivers of our servicing fee revenue will vary depending on the mix of products and services we provide to our clients. The full impact of changes in market valuations and the volume of activity in the funds may not be fully reflected in our servicing fee revenues in the periods in which the changes occur, particularly in periods of higher volatility.

Servicing fees, as presented in Table 2: Total Revenue, increased 7% in 2021 compared to 2020 primarily due to higher average equity market levels, client activity and flows, and net new business, partially offset by normal pricing headwinds. FX rates impacted servicing fees positively by 1% in 2021 relative to 2020 and 0.4% in 2020 relative to 2019.

Servicing fees generated outside the U.S. were approximately 48% of total servicing fees in 2021, compared to approximately 47% in each of 2020 and 2019.

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**TABLE 6: ASSETS UNDER CUSTODY AND/OR ADMINISTRATION BY PRODUCT<sup>(1)(2)</sup>**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Collective funds, including ETFs	\$ 15,722	\$ 13,387	\$ 11,986	17 %	12 %
Mutual funds	11,575	9,810	8,316	18	18
Pension products	8,443	7,594	6,919	11	10
Insurance and other products	7,938	8,000	7,137	(1)	12
<b>Total</b>	<b>\$ 43,678</b>	<b>\$ 38,791</b>	<b>\$ 34,358</b>	<b>13</b>	<b>13</b>

**TABLE 7: ASSETS UNDER CUSTODY AND/OR ADMINISTRATION BY ASSET CLASS<sup>(2)</sup>**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Equities	\$ 25,974	\$ 21,626	\$ 19,301	20 %	12 %
Fixed-income	12,587	12,834	10,766	(2)	19
Short-term and other investments	5,117	4,331	4,291	18	1
<b>Total</b>	<b>\$ 43,678</b>	<b>\$ 38,791</b>	<b>\$ 34,358</b>	<b>13</b>	<b>13</b>

**TABLE 8: ASSETS UNDER CUSTODY AND/OR ADMINISTRATION BY GEOGRAPHY<sup>(2)(3)</sup>**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Americas	\$ 32,427	\$ 28,245	\$ 25,018	15 %	13 %
Europe/Middle East/Africa	8,599	8,101	7,325	6	11
Asia/Pacific	2,652	2,445	2,015	8	21
<b>Total</b>	<b>\$ 43,678</b>	<b>\$ 38,791</b>	<b>\$ 34,358</b>	<b>13</b>	<b>13</b>

<sup>(1)</sup> Certain previously reported amounts presented have been reclassified to conform to current-period presentation.

<sup>(2)</sup> Consistent with past practice, AUC/A values for certain asset classes are based on a lag, typically one-month.

<sup>(3)</sup> Geographic mix is generally based on the domicile of the entity servicing the funds and is not necessarily representative of the underlying asset mix.

Asset servicing mandates newly announced in 2021 totaled approximately \$3.52 trillion, with State Street Alpha representing a large proportion of the wins. Servicing assets remaining to be installed in future periods totaled approximately \$2.80 trillion as of December 31, 2021, which will be reflected in AUC/A in future periods after installation and will generate servicing fee revenue in subsequent periods. The full revenue impact of such mandates will be realized as the assets are installed and additional services are added over that period.

New asset servicing mandates may be subject to completion of definitive agreements, approval of applicable boards and shareholders and customary regulatory approvals. New asset servicing mandates and servicing assets remaining to be installed in future periods exclude certain new business which has been contracted, but for which the client has not yet provided permission to publicly disclose and the expected installation date extends beyond one quarter. These excluded assets, which from time to time may be significant, will be included in new asset servicing mandates and reflected in servicing assets remaining to be installed in the period in which the client provides its permission. Servicing mandates and servicing assets remaining to be installed in future periods are presented on a gross basis and therefore also do not include the impact of clients who have notified us during the period of their intent to terminate or reduce their relationship with us, which may from time to time be significant.

With respect to these new servicing mandates, once installed we may provide various services, including accounting, bank loan servicing, compliance reporting and monitoring, custody, depository banking services, FX, fund administration, hedge fund servicing, middle office outsourcing, performance and analytics, private equity administration, real estate administration, securities finance, transfer agency and wealth management services. Revenues associated with new servicing mandates may vary based on the breadth of services provided and the timing of installation, and the types of assets.

As a result of a decision to diversify providers, one of our large asset servicing clients has advised us it expects to move a significant portion of its ETF assets currently with State Street to one or more other providers, pending necessary approvals. We expect to continue as a significant service provider for this client after this transition and for the client to continue to be meaningful to our business. The transition is expected to begin in 2022, but will principally occur in 2023 and 2024. For the year ended December 31, 2021, the fee revenue associated with the transitioning assets represented approximately 1.9% of our total fee revenue. The actual total revenue and income impact of this transition will reflect a range of factors, including potential growth in our continuing business with the client and expense reductions associated with the transition.

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### **Management Fee Revenue**

Management fees generally are affected by our level of AUM, which we report based on month-end valuations. Management fees for certain components of managed assets, such as ETFs, mutual funds and UCITS, are affected by daily average valuations of AUM. Management fee revenue is more sensitive to market valuations than servicing fee revenue, as a higher proportion of the underlying services provided, and the associated management fees earned, are dependent on equity and fixed-income security valuations. Additional factors, such as the relative mix of assets managed, may have a significant effect on our management fee revenue. While certain management fees are directly determined by the values of AUM and the investment strategies employed, management fees may reflect other factors, including performance fee arrangements, as well as our relationship pricing for clients. In addition, in a prolonged low-interest rate environment, such as we are currently experiencing, we have waived and may in the future waive certain fees for our clients for money market products.

The impact of State Street Global Advisors gross money market fund fee waivers on total management fee revenue was approximately \$80 million in 2021. Following the first expected rate hike by the Federal Reserve, we expect the impact of gross money market fee waivers on our management fees would be largely mitigated in the subsequent quarterly periods.

Asset-based management fees for passively managed products, to which our AUM is currently primarily weighted, are generally charged at a lower fee on AUM than for actively managed products. Actively managed products may also include performance fee arrangements which are recorded when the fee is earned, based on predetermined benchmarks associated with the applicable account's performance.

In light of the above, we estimate, using relevant information as of December 31, 2021 and assuming that all other factors remain constant, including the impact of business won and lost and client flows, that:

- A 10% increase or decrease in worldwide equity valuations, on a weighted average basis, over the relevant periods for which our management fees are calculated, would result in a corresponding change in our total management fee revenues, on average and over multiple quarters, of approximately 5%; and
- changes in worldwide fixed income markets, which on a weighted average basis and over time are typically less volatile than worldwide

equity markets, will have a significantly smaller impact on our management fee revenues on average and over time.

Daily averages, month-end averages and year-end indices demonstrate worldwide changes in equity and debt markets that affect our management fee revenue. Year-end indices affect the values of AUM as of those dates. See Table 3: Daily Averages, Month-End Averages and Year-End Equity Indices for selected indices. While the specific indices presented are indicative of general market trends, the asset types and classes relevant to individual client portfolios can and do differ, and the performance of associated relevant indices and of client portfolios can therefore differ from the performance of the indices presented. In addition, our asset classifications may differ from those industry classifications presented.

Management fees increased 9% in 2021 compared to 2020, primarily due to higher average equity market levels and net inflows from ETFs, partially offset by a previously reported idiosyncratic institutional client asset reallocation expected to be primarily reflected in 2022, and higher money market fee waivers.

Management fees generated outside the U.S. were approximately 26% of total management fees in 2021, compared to approximately 26% and 27% in 2020 and 2019, respectively.

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**TABLE 9: ASSETS UNDER MANAGEMENT BY ASSET CLASS AND INVESTMENT APPROACH**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Equity:					
Active	\$ 80	\$ 85	\$ 90	(6)%	(6)%
Passive	2,594	2,086	1,900	24	10
Total equity <sup>(1)</sup>	2,674	2,171	1,990	23	9
Fixed-income:					
Active	103	90	87	14	3
Passive	520	459	392	13	17
Total fixed-income <sup>(1)</sup>	623	549	479	13	15
Cash <sup>(1)(2)</sup>	368	349	317	5	10
Multi-asset-class solutions:					
Active	34	40	41	(15)	(2)
Passive	188	146	116	29	26
Total multi-asset-class solutions <sup>(1)</sup>	222	186	157	19	18
Alternative investments <sup>(3)</sup> :					
Active	56	39	30	44	30
Passive	195	173	143	13	21
Total alternative investments <sup>(1)</sup>	251	212	173	18	23
<b>Total</b>	<b>\$ 4,138</b>	<b>\$ 3,467</b>	<b>\$ 3,116</b>	<b>19</b>	<b>11</b>

<sup>(1)</sup> The implementation of an improved internal data management system for product level data in the first quarter of 2021 resulted in some AUM reclassifications between the categories presented for prior periods to align with the current presentation. There was no impact to the total level of reported AUM.

<sup>(2)</sup> Includes both floating- and constant-net-asset-value portfolios held in commingled structures or separate accounts.

<sup>(3)</sup> Includes real estate investment trusts, currency and commodities, including SPDR® Gold Shares and SPDR® Gold MiniSharesSM Trust. We are not the investment manager for the SPDR® Gold Shares and SPDR®Gold MiniSharesSM Trust, but act as the marketing agent.

**TABLE 10: GEOGRAPHIC MIX OF ASSETS UNDER MANAGEMENT<sup>(1)</sup>**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
North America	\$ 2,931	\$ 2,411	\$ 2,114	22 %	14 %
Europe/Middle East/Africa	592	512	493	16	4
Asia/Pacific	615	544	509	13	7
<b>Total</b>	<b>\$ 4,138</b>	<b>\$ 3,467</b>	<b>\$ 3,116</b>	<b>19</b>	<b>11</b>

<sup>(1)</sup> Geographic mix is based on client location or fund management location.

**TABLE 11: EXCHANGE - TRADED FUNDS BY ASSET CLASS<sup>(1)</sup>**

(In billions)	December 31, 2021	December 31, 2020	December 31, 2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Alternative Investments <sup>(2)</sup>	\$ 72	\$ 83	\$ 56	(13)%	48 %
Equity <sup>(3)</sup>	970	708	617	37	15
Multi Asset	1	—	1	nm	nm
Fixed-Income <sup>(3)</sup>	135	115	94	17	22
<b>Total Exchange-Traded Funds</b>	<b>\$ 1,178</b>	<b>\$ 906</b>	<b>\$ 768</b>	<b>30</b>	<b>18</b>

<sup>(1)</sup> ETFs are a component of AUM presented in the preceding table.

<sup>(2)</sup> Includes real estate investment trusts, currency and commodities, including SPDR® Gold Shares and SPDR® Gold MiniSharesSM Trust. We are not the investment manager for the SPDR® Gold Shares and SPDR®Gold MiniSharesSM Trust, but act as the marketing agent.

<sup>(3)</sup> The implementation of an improved internal data management system for product level data in the first quarter of 2021 resulted in some AUM reclassifications between the categories presented for prior periods to align with the current presentation. There was no impact to the total level of reported AUM.

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**TABLE 12: ACTIVITY IN ASSETS UNDER MANAGEMENT BY PRODUCT CATEGORY**

(In billions)	Equity <sup>(1)</sup>	Fixed-Income <sup>(1)</sup>	Cash <sup>(1)(2)</sup>	Multi-Asset-Class Solutions <sup>(1)</sup>	Alternative Investments <sup>(1)(3)</sup>	Total
<b>Balance as of December 31, 2018</b>	<b>\$ 1,542</b>	<b>\$ 432</b>	<b>\$ 280</b>	<b>\$ 133</b>	<b>\$ 124</b>	<b>\$ 2,511</b>
Long-term institutional flows, net <sup>(4)</sup>	26	(6)	—	4	14	38
Exchange-traded fund flows, net	12	16	—	—	6	34
Cash fund flows, net	—	—	31	—	—	31
Total flows, net	38	10	31	4	20	103
Market appreciation (depreciation)	406	36	6	20	28	496
Foreign exchange impact	4	1	—	—	1	6
Total market/foreign exchange impact	410	37	6	20	29	502
<b>Balance as of December 31, 2019</b>	<b>\$ 1,990</b>	<b>\$ 479</b>	<b>\$ 317</b>	<b>\$ 157</b>	<b>\$ 173</b>	<b>\$ 3,116</b>
Long-term institutional flows, net <sup>(4)</sup>	(101)	4	(1)	9	(11)	(100)
Exchange-traded fund flows, net	12	16	—	—	16	44
Cash fund flows, net	—	—	32	—	—	32
Total flows, net	(89)	20	31	9	5	(24)
Market appreciation (depreciation)	241	42	(1)	18	30	330
Foreign exchange impact	29	8	2	2	4	45
Total market/foreign exchange impact	270	50	1	20	34	375
<b>Balance as of December 31, 2020</b>	<b>\$ 2,171</b>	<b>\$ 549</b>	<b>\$ 349</b>	<b>\$ 186</b>	<b>\$ 212</b>	<b>\$ 3,467</b>
Long-term institutional flows, net <sup>(4)</sup>	(25)	70	(2)	16	10	69
Exchange-traded fund flows, net	94	23	—	—	(10)	107
Cash fund flows, net	—	—	20	—	—	20
Total flows, net	69	93	18	16	—	196
Market appreciation (depreciation)	476	(7)	2	22	43	536
Foreign exchange impact	(42)	(12)	(1)	(2)	(4)	(61)
Total market/foreign exchange impact	434	(19)	1	20	39	475
<b>Balance as of December 31, 2021</b>	<b>\$ 2,674</b>	<b>\$ 623</b>	<b>\$ 368</b>	<b>\$ 222</b>	<b>\$ 251</b>	<b>\$ 4,138</b>

<sup>(1)</sup> The implementation of an improved internal data management system for product level data in the first quarter of 2021 resulted in some AUM reclassifications between the categories presented for prior periods to align with the current presentation. There was no impact to the total level of reported AUM.

<sup>(2)</sup> Includes both floating- and constant-net-asset-value portfolios held in commingled structures or separate accounts.

<sup>(3)</sup> Includes real estate investment trusts, currency and commodities, including SPDR® Gold Shares and SPDR® Gold MiniSharesSM Trust. We are not the investment manager for the SPDR® Gold Shares and SPDR® Gold MiniSharesSM Trust, but act as the marketing agent.

<sup>(4)</sup> Amounts represent long-term portfolios, excluding ETFs.

### Foreign Exchange Trading Services

Foreign exchange trading services revenue, as presented in Table 2: Total Revenue, decreased 11% in 2021 compared to 2020, primarily due to lower FX volatility, as compared to the high levels of volatility experienced in 2020 due to the COVID-19 pandemic, partially offset by higher client FX volumes. Foreign exchange trading services revenue comprises revenue generated by FX trading and revenue generated by brokerage and other trading services, which made up 67% and 33%, respectively, of foreign exchange trading services revenue in 2021, and 68% and 32%, respectively in 2020. The impact of gross money market fund fee waivers on foreign exchange trading services was \$53 million in 2021, compared to \$8 million in 2020. This represents a reduction in revenue on the Fund Connect platform due to the impact of fee waivers by participating money market funds, including State Street Global Advisors funds.

We primarily earn FX trading revenue by acting as a principal market-maker through both "direct sales and trading" and "indirect FX trading."

- Direct sales and trading: Represent FX transactions at negotiated rates with clients and investment managers that contact our trading desk directly. These principal market-making activities include transactions for funds serviced by third party custodians or prime brokers, as well as those funds under custody with us.
- Indirect FX trading: Represents FX transactions with clients, for which we are the funds' custodian, or their investment managers, routed to our FX desk through our asset-servicing operation. We execute indirect FX trades as a principal at rates disclosed to our clients.

Our FX trading revenue is influenced by multiple factors, including: the volume and type of client FX transactions and related spreads; currency volatility, reflecting market conditions; and our management of exchange rate, interest rate and other market risks associated with our FX activities. The relative impact of these factors on our total FX trading revenues often differs from period to period. For example, assuming all other factors remain constant, increases or decreases in volumes or bid-offer spreads across product mix tend to result in increases or decreases, as the case may be, in client-related FX revenue.

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Our clients that utilize indirect FX trading can, in addition to executing their FX transactions through dealers not affiliated with us, transition from indirect FX trading to either direct sales and trading execution, including our "Street FX" service, or to one of our electronic trading platforms. Street FX, in which we continue to act as a principal market-maker, enables our clients to define their FX execution strategy and automate the FX trade execution process, both for funds under custody with us as well as those under custody at another bank.

We also earn foreign exchange trading services revenue through "electronic FX services" and "other trading, transition management and brokerage revenue."

- Electronic FX services: Our clients may choose to execute FX transactions through one of our electronic trading platforms. These transactions generate revenue through a "click" fee.
- Other trading, transition management and brokerage revenue: As our clients look to us to enhance and preserve portfolio values, they may choose to utilize our Transition or Currency Management capabilities or transact with our Equity Trade execution group. These transactions, which are not limited to foreign exchange, generate revenue via commissions charged for trades transacted during the management of these portfolios.

Fund Connect is another one of our electronic trading platforms: it is a global trading, analytics and cash management tool with access to more than 400 money market funds from leading providers.

### **Securities Finance**

Our securities finance business consists of three components:

- (1) an agency lending program for State Street Global Advisors managed investment funds with a broad range of investment objectives, which we refer to as the State Street Global Advisors lending funds;
- (2) an agency lending program for third-party investment managers and asset owners, which we refer to as the agency lending funds; and
- (3) security lending transactions which we enter into as principal, which we refer to as our enhanced custody business.

Securities finance revenue earned from our agency lending activities, which is composed of our split of both the spreads related to cash collateral and the fees related to non-cash collateral, is principally a function of the volume of securities on loan, the

interest rate spreads and fees earned on the underlying collateral and our share of the fee split.

As principal, our enhanced custody business borrows securities from the lending client or other market participants and then lends such securities to the subsequent borrower, either our client or a broker/dealer. We act 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. In our role as principal, we provide support to the transaction through our credit rating. While we source a significant proportion of the securities furnished by us in our role as principal from third parties, we have the ability to source securities through assets under custody from clients who have designated us as an eligible borrower.

Securities finance revenue, as presented in Table 2: Total Revenue, increased 17% in 2021 compared to 2020, primarily driven by higher client securities loan balances and new business wins in enhanced custody, partially offset by lower spreads.

Market influences may continue to affect client demand for securities finance, and as a result our revenue from, and the profitability of, our securities lending activities in future periods. In addition, the constantly evolving regulatory environment, including revised or proposed capital and liquidity standards, interpretations of those standards, and our own balance sheet management activities, may influence modifications to the way in which we deliver our agency lending or enhanced custody businesses, the volume of our securities lending activity and related revenue and profitability in future periods.

### **Software and Processing Fees**

Software and processing fees revenue includes diverse types of fees and revenue, including fees from software licensing and maintenance, fees from our structured products business and other revenue including equity income from our joint venture investments, market-related adjustments and income associated with certain tax-advantaged investments.

Software and processing fees revenue, presented in Table 2: Total Revenue, increased 7% in 2021 compared to 2020 and includes approximately \$435 million and \$406 million from CRD in 2021 and 2020, respectively. CRD contributed approximately \$13 million and \$14 million in brokerage and other trading services within foreign exchange trading services in 2021, and 2020, respectively, and \$448 million in total revenue in 2021, compared to \$420 million in 2020. The increase in revenue is primarily driven by software as a service (SaaS) and professional services revenue. In addition, CRD revenue with affiliated entities, which is eliminated in our consolidated financial statements, was \$62 million and \$39 million in 2021 and 2020, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenue related to the front office solutions provided by CRD is primarily driven by the sale of term software licenses and SaaS, including professional services such as consulting and implementation services, software support and maintenance. Approximately 50%-70% of revenue associated with a sale of software to be installed on-premises is recognized at a point in time when the customer benefits from obtaining access to and use of the software license, with the percentage varying based on the length of the contract and other contractual terms. The remainder of revenue for on-premise installations is recognized over the length of the contract as maintenance and other services are provided. Upon renewal of an on-premises software contract, the same pattern of revenue recognition is followed with 50%-70% recognized upon renewal and the balance recognized over the term of the contract. Revenue for a SaaS related arrangement, where the customer does not take possession of the software, is recognized over the term of the contract as services are provided. Upon renewal of a SaaS arrangement, revenue continues to be recognized as services are provided under the new contract. As a result of these differences in how portions of CRD revenue are accounted for, CRD revenue may vary more than other business units quarter to quarter.

Amortization of tax advantage investments negatively impacted software and processing fees by approximately \$94 million and \$88 million in 2021 and 2020, respectively.

In addition, FX and market-related adjustments, which also includes certain fair value adjustments, impacted software and processing fees by approximately \$20 million and \$26 million in 2021 and 2020, respectively.

Additional information about fee revenue is provided under "Line of Business Information" included in this Management's Discussion and Analysis.

### ***Net Interest Income***

See Table 2: Total Revenue, for the breakout of interest income and interest expense for the years ended December 31, 2021, 2020 and 2019.

NII is defined as interest income earned on interest-earning assets less interest expense incurred on interest-bearing liabilities. Interest-earning assets, which principally consist of investment securities, interest-bearing deposits with banks, loans, resale agreements and other liquid assets, are financed primarily by client deposits, short-term borrowings and long-term debt.

NIM represents the relationship between annualized FTE NII and average total interest-earning assets for the period. It is calculated by dividing FTE NII by average interest-earning assets. Revenue that

is exempt from income taxes, mainly earned from certain investment securities (state and political subdivisions), is adjusted to a FTE basis using the U.S. federal and state statutory income tax rates.

NII on an FTE basis decreased in 2021 compared to 2020, primarily due to lower investment portfolio yields, partially offset by growth in the investment portfolio, deposits, and higher loan balances.

Investment securities net premium amortization, which is included in interest income, was \$556 million in 2021, compared to \$575 million in 2020 and \$434 million in 2019. The decrease in MBS premium amortization is primarily due to lower prepayments.

Interest income related to debt securities is recognized in our consolidated statement of income using the effective interest method, or on a basis approximating a level rate of return over the contractual or estimated life of the security. The rate of return considers any non-refundable fees or costs, as well as purchase premiums or discounts, resulting in amortization or accretion, accordingly. The amortization of premiums and accretion of discounts are adjusted for prepayments when they occur, which primarily impact mortgage-backed securities.

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The following table presents the investment securities amortizable purchase premium net of discount accretion for the periods indicated:

**TABLE 13: INVESTMENT SECURITIES NET PREMIUM AMORTIZATION**

(Dollars in millions)	Years Ended December 31,											
	2021			2020			2019					
	MBS	Non-MBS	Total <sup>(1)</sup>	MBS	Non-MBS	Total <sup>(1)</sup>	MBS	Non-MBS	Total <sup>(1)</sup>	MBS	Non-MBS	Total <sup>(1)</sup>
Unamortized premiums, net of discounts at period end	\$ 712	\$ 502	\$ 1,214	\$ 1,173	\$ 736	\$ 1,909	\$ 956	\$ 629	\$ 1,585			
Net premium amortization <sup>(2)</sup>	342	214	556	399	176	575	275	159	434			

<sup>(1)</sup> The investment securities portfolio duration was 2.9 years in 2021, 3.0 years in 2020 and 2.7 years in 2019.

<sup>(2)</sup> Net of discount accretion on MMLF HTM securities.

See Table 14: Average Balances and Interest Rates - Fully Taxable-Equivalent Basis, for the breakout of NII on a FTE basis for the years ended December 31, 2021, 2020 and 2019.

**TABLE 14: AVERAGE BALANCES AND INTEREST RATES - FULLY TAXABLE-EQUIVALENT BASIS<sup>(1)</sup>**

(Dollars in millions; fully taxable-equivalent basis)	Years Ended December 31,											
	2021			2020			2019					
	Average Balance	Interest Revenue/Expense	Rate	Average Balance	Interest Revenue/Expense	Rate	Average Balance	Interest Revenue/Expense	Rate			
Interest-bearing deposits with banks <sup>(2)</sup>	\$ 89,996	\$ (15)	(.02)%	\$ 76,588	\$ 76	.10 %	\$ 48,500	\$ 416	.86 %			
Securities purchased under resale agreements <sup>(3)</sup>	4,193	27	.63	3,452	126	3.64	2,506	364	14.54			
Trading account assets	752	—	.01	878	—	—	884	1	.11			
Investment securities:												
Investment securities available for sale	66,584	583	.88	58,036	761	1.31	51,853	1,035	1.98			
Investment securities held-to-maturity	44,832	665	1.48	42,956	830	1.93	39,915	974	2.44			
Investment securities held-to-maturity purchased under money market liquidity facility	314	4	1.35	8,183	117	1.43	—	—	—			
Total Investment securities	111,730	1,252	1.12	109,175	1,708	1.56	91,768	2,009	2.19			
Loans	31,009	640	2.07	27,525	627	2.28	24,073	775	3.22			
Other interest-earning assets	22,355	17	.08	11,256	55	.49	14,160	395	2.79			
Average total interest-earning assets	<u>\$ 260,035</u>	<u>\$ 1,921</u>	<u>.74</u>	<u>\$ 228,874</u>	<u>\$ 2,592</u>	<u>1.13</u>	<u>\$ 181,891</u>	<u>\$ 3,960</u>	<u>2.18</u>			
Interest-bearing deposits:												
U.S.	\$ 104,848	\$ 10	.01 %	\$ 87,444	\$ 114	.13 %	\$ 67,547	\$ 539	.80 %			
Non-U.S. <sup>(2)(4)</sup>	82,126	(273)	(.33)	68,806	(231)	(.34)	61,301	124	.20			
Total interest-bearing deposits <sup>(4)(5)</sup>	<u>186,974</u>	<u>(263)</u>	<u>(.14)</u>	<u>156,250</u>	<u>(117)</u>	<u>(.07)</u>	<u>128,848</u>	<u>663</u>	<u>.51</u>			
Securities sold under repurchase agreements	667	—	—	2,615	4	.14	1,616	31	1.90			
Short-term borrowings under money market liquidity facility	315	4	1.21	8,207	101	1.22	—	—	—			
Other short-term borrowings	788	2	.21	2,226	18	.78	1,524	21	1.37			
Long-term debt	13,383	219	1.64	14,371	312	2.17	11,474	414	3.61			
Other interest-bearing liabilities	5,486	41	.75	3,176	57	1.82	4,103	246	6.00			
Average total interest-bearing liabilities	<u>\$ 207,613</u>	<u>\$ 3</u>	<u>.74 %</u>	<u>\$ 186,845</u>	<u>\$ 375</u>	<u>.20</u>	<u>\$ 147,565</u>	<u>\$ 1,375</u>	<u>.93</u>			
Interest rate spread												
Net interest income, fully taxable-equivalent basis		\$ 1,918			\$ 2,217			\$ 2,585				
Net interest margin, fully taxable-equivalent basis			.74 %					.97 %				1.42 %
Tax-equivalent adjustment			(13)			(17)						(19)
Net interest income, GAAP basis		<u>\$ 1,905</u>			<u>\$ 2,200</u>			<u>\$ 2,566</u>				

<sup>(1)</sup> Rates earned/paid on interest-earning assets and interest-bearing liabilities include the impact of hedge activities associated with our asset and liability management activities where applicable.

<sup>(2)</sup> Negative values reflect the interest rate environment outside of the U.S. where central bank rates are below zero for several major currencies.

<sup>(3)</sup> Reflects the impact of balance sheet netting under enforceable netting agreements of approximately \$62.15 billion, \$100.45 billion and \$86.67 billion for the years ended December 31, 2021, 2020 and 2019, respectively. Excluding the impact of netting, the average interest rates would be approximately 0.04%, 0.12% and 0.41% for the years ended December 31, 2021, 2020 and 2019, respectively.

<sup>(4)</sup> Average rate includes the impact of FX swap costs of approximately (\$68) million, (\$63) million and \$153 million for the years ended December 31, 2021, 2020 and 2019, respectively. Average rates for total interest-bearing deposits excluding the impact of FX swap costs were (0.10)%, (0.03)% and 0.40% for the years ended December 31, 2021, 2020 and 2019, respectively.

<sup>(5)</sup> Total deposits averaged \$235.40 billion, \$193.23 billion and \$158.26 billion for the years ended December 31, 2021, 2020 and 2019, respectively.

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Changes in the components of interest-earning assets and interest-bearing liabilities are discussed in more detail below. Additional information about the components of interest income and interest expense is provided in Note 17 to the consolidated financial statements in this Form 10-K.

Average total interest-earning assets were \$260.04 billion in 2021 compared to \$228.87 billion in 2020. The increase is primarily due to higher interest-bearing deposits with banks and investment securities.

Interest-bearing deposits with banks averaged \$90.00 billion in 2021 compared to \$76.59 billion in 2020. These deposits primarily reflect our maintenance of cash balances at the Federal Reserve, the European Central Bank (ECB) and other non-U.S. central banks. The higher levels of average cash balances with central banks reflect higher levels of client deposits.

Securities purchased under resale agreements averaged \$4.19 billion in 2021 compared to \$3.45 billion in 2020. The impact of balance sheet netting decreased to \$62.15 billion on average in 2021 compared to \$100.45 billion in 2020. We maintain an agreement with FICC, a clearing organization that enables us to net all securities sold under repurchase agreements against those purchased under resale agreements with counterparties that are also members of the clearing organization when specific netting criteria are met. The decrease in average balance sheet netting in 2021 compared to 2020 is primarily due to lower FICC repo volumes from an increased cash supply and lower short-term interest rates driven by extensive Federal Reserve stimulus.

We have been a sponsoring member within FICC since 2005 and have continued to expand our client base as program eligibility parameters, including permissible client entity types and client jurisdictions, have broadened. We enter into repurchase and resale transactions in eligible securities with sponsored clients and with other FICC members and, pursuant to FICC Government Securities Division rules, submit, novate and net the transactions. We may sponsor clients to clear their eligible repurchase transactions with FICC, backed by our guarantee to FICC of the prompt and full payment and performance of our sponsored member clients' respective obligations. We generally obtain a security interest from our sponsored clients in the high quality securities collateral that they receive, which is designed to mitigate our potential exposure to FICC.

Average investment securities increased to \$111.73 billion in 2021 from \$109.18 billion in 2020, primarily driven by MBS balances and foreign government bonds. The growth reflects our

deployment of higher structural deposit levels that resulted from the COVID-19 pandemic.

Loans averaged \$31.01 billion in 2021 compared to \$27.53 billion in 2020. Average core loans, which exclude overdrafts and highlight our efforts to grow our lending portfolio, averaged \$26.76 billion in 2021 compared to \$22.84 billion in 2020. The increase is primarily due to growth in CLOs in loan form and fund finance loans, such as our private equity capital call facilities. Additional information about these loans is provided in Note 4 to the consolidated financial statements in this Form 10-K.

Average other interest-earning assets, largely associated with our enhanced custody business, increased to \$22.36 billion in 2021 from \$11.26 billion in 2020, primarily driven by an increase in the level of cash collateral posted. Enhanced custody is our securities financing business where we act as principal with respect to our custody clients and generate securities finance revenue. The NII earned on these transactions is generally lower than the interest earned on other alternative investments.

Aggregate average total interest-bearing deposits increased to \$186.97 billion in 2021 from \$156.25 billion in 2020. Average U.S. interest-bearing deposits increased amidst the market uncertainty due to the COVID-19 pandemic, U.S. monetary policy and the level of global interest rates. We expect deposits to remain elevated due to the current low interest rate environment and the size of the Federal Reserve's balance sheet. Future deposit levels will be influenced by the underlying asset servicing business, client deposit behavior and market conditions, including the general levels of U.S. and non-U.S. interest rates.

Average other short-term borrowings, typically associated with our tax-exempt investment program, decreased to \$0.79 billion in 2021 from \$2.23 billion in 2020.

Average long-term debt was \$13.38 billion in 2021 compared to \$14.37 billion in 2020. These amounts reflect issuances, redemptions and maturities of senior debt during the respective periods.

Average other interest-bearing liabilities were \$5.49 billion in 2021 compared to \$3.18 billion in 2020. Other interest-bearing liabilities primarily reflect our level of cash collateral received from clients in connection with our enhanced custody business, which is presented on a net basis where we have enforceable netting agreements.

Several factors could affect future levels of NII and NIM, including the volume and mix of client deposits and funding sources; central bank actions; balance sheet management activities; changes in the level and slope of U.S. and non-U.S. interest rates;

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revised or proposed regulatory capital or liquidity standards, or interpretations of those standards; the yields earned on securities purchased compared to the yields earned on securities sold or matured and changes in the type and amount of credit or other loans we extend.

Based on market conditions and other factors, including regulatory standards, we continue to reinvest the majority of the proceeds from pay-downs and maturities of investment securities in highly-rated U.S. and non-U.S. securities, such as federal agency MBS, sovereign debt securities and U.S. Treasury and agency securities. The pace at which we reinvest and the types of investment securities purchased will depend on the impact of market conditions, the implementation of regulatory standards, including interpretation of those standards and other factors over time. We expect these factors and the levels of global interest rates to impact our reinvestment program and future levels of NII and NIM.

### **Other Income**

In the second quarter of 2021, we sold a majority share of our WMS business, which resulted in a pre-tax gain on sale of \$53 million that was recorded in other income.

In the fourth quarter of 2021, we transferred \$438 million of HTM debt securities that referenced LIBOR and other discontinued reference rates to AFS. Of those transferred securities, \$378 million were subsequently sold, resulting in a pre-tax gain of \$58 million.

### **Provision for Credit Losses**

In 2021, we released \$33 million of credit reserves related to loans and financial assets held at amortized cost and off-balance sheet commitments based on the CECL methodology, reflecting observed and expected improvements in both credit quality and economic outlook. This compares to a \$88 million provision for credit losses in 2020 based on the CECL methodology, and \$10 million in 2019, which was under the incurred loss model.

Additional information is provided under "Loans" in "Financial Condition" in this Management's Discussion and Analysis and in Note 4 to the consolidated financial statements in this Form 10-K.

### **Expenses**

Table 15: Expenses, provides the breakout of expenses for the years ended December 31, 2021, 2020 and 2019.

**TABLE 15: EXPENSES**

(Dollars in millions)	Years Ended December 31,			% Change 2021 vs. 2020	% Change 2020 vs. 2019
	2021	2020	2019		
Compensation and employee benefits	\$ 4,554	\$ 4,450	\$ 4,541	2 %	(2)%
Information systems and communications	1,661	1,550	1,465	7	6
Transaction processing services	1,024	978	983	5	(1)
Occupancy	444	489	470	(9)	4
Amortization of other intangible assets	245	234	236	5	(1)
Acquisition costs	66	54	79	22	(32)
Restructuring charges, net	(1)	(4)	(2)	(75)	100
Other:					
Professional services	334	364	321	(8)	13
Other	562	601	941	(6)	(36)
Total other	<u>896</u>	<u>965</u>	<u>1,262</u>	(7)	(24)
Total expenses	<u><u>\$ 8,889</u></u>	<u><u>\$ 8,716</u></u>	<u><u>\$ 9,034</u></u>	2	(4)
Number of employees at year-end	38,784	39,439	39,103	(2)	1

Compensation and employee benefits expenses increased 2% in 2021 compared to 2020, primarily due to deferred compensation expense acceleration of \$147 million associated with an amendment of the terms of certain outstanding deferred cash incentive compensation awards. This amendment removes continued service requirements for deferred cash incentive awards, thereby accelerating the future expense that would have been recognized over the remaining term of the awards (1 to 4 years, depending on the award) had the continued service requirement not been removed. The deferred portion of many of our bonus-eligible employees' total compensation had become disproportionate relative to our peer organizations. The expense that would otherwise have been associated with the amended awards will no longer be reflected in future periods. To make our pay practices more competitive, the acceleration is part of a plan to increase the immediate cash versus the deferred portion of total cash incentive compensation in future periods, which cash incentive compensation will be reflected in compensation and employee benefits expenses in those periods. The expense impact of future immediate and deferred incentive compensation awards will depend upon corporate performance and market, regulatory, and other factors and conditions, including the amount and form of those awards. The change did not affect deferred equity-settled incentive compensation awards (which, in the aggregate, represent a majority of the outstanding deferred compensation awards for the relevant employees), and we expect that future deferred cash-settled incentive compensation awards will retain a continued service requirement.

Total headcount decreased 2% as of December 31, 2021 compared to December 31, 2020, primarily driven by a reduction in high cost locations, partially offset by hiring in global hubs.

Information systems and communications expenses increased 7% in 2021 compared to 2020,

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

primarily due to higher technology infrastructure investments and equipment expenses.

Transaction processing services expenses increased 5% in 2021 compared to 2020, primarily due to higher sub-custody costs and higher broker fees.

Occupancy expenses decreased 9% in 2021 compared to 2020, primarily due to footprint optimization.

Amortization of other intangible assets increased 5% in 2021 compared to 2020, primarily due to the acquisition in the first quarter of 2021 of the depository bank and fund administrator activities of Fideuram Bank Luxembourg, a subsidiary of Intesa Sanpaolo.

Other expenses decreased 7% in 2021 compared to 2020, primarily driven by lower professional services, securities processing losses and travel costs.

### **Acquisition Costs**

We recorded approximately \$53 million of acquisition costs in 2021, compared to \$54 million in 2020 and \$79 million in 2019, related to our acquisition of CRD. As of December 31, 2021, we have incurred a total of \$217 million of acquisition costs related to CRD. Starting in 2022, we will no longer distinguish certain CRD costs as acquisition costs.

In addition, we recorded approximately \$13 million of acquisition costs in 2021 related to our planned acquisition of the BBH Investor Services business. We expect to incur up to approximately \$590 million of total acquisition and integration costs related to the acquisition through the third year following its closing.

### **Restructuring and Repositioning Charges**

#### *Repositioning Charges*

Expenses for 2021 included a net repositioning release of \$3 million, consisting of a \$32 million release of previously accrued severance charges, primarily due to higher attrition and redeployment rates during the COVID-19 pandemic, partially offset by \$29 million of occupancy charges related to footprint optimization. Total repositioning charges were \$133 million in 2020.

The following table presents aggregate activity for repositioning charges and activity related to previous Beacon restructuring charges for the periods

indicated:

**TABLE 16: RESTRUCTURING AND REPOSITIONING CHARGES**

(In millions)	Employee Related Costs	Real Estate Actions	Asset and Other Write-offs	Total
<b>Accrual Balance at December 31, 2018</b>	\$ 303	\$ 37	\$ 1	\$ 341
Accruals for Beacon	(2)	—	—	(2)
Accruals for Repositioning Charges	98	12	—	110
Payments and Other Adjustments	(209)	(42)	—	(251)
<b>Accrual Balance at December 31, 2019</b>	190	7	1	198
Accruals for Beacon	(4)	—	—	(4)
Accruals for Repositioning Charges	82	51	—	133
Payments and Other Adjustments	(78)	(52)	(1)	(131)
<b>Accrual Balance at December 31, 2020</b>	190	6	—	196
Accruals for Beacon	(1)	—	—	(1)
Accruals for Repositioning Charges	(32)	29	—	(3)
Payments and Other Adjustments	(89)	(29)	—	(118)
<b>Accrual Balance at December 31, 2021</b>	<b>\$ 68</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ 74</b>

### **Income Tax Expense**

Income tax expense was \$478 million in 2021 compared to \$479 million in 2020. Our effective tax rate was 15.1% in 2021 compared to 16.5% in 2020. The decrease in the effective tax rate is primarily due to discrete benefits from the completion of tax audits and tax return finalization.

Additional information regarding income tax expense, including unrecognized tax benefits and tax contingencies, are provided in Notes 13 and 22 to the consolidated financial statements in this Form 10-K.

### **LINE OF BUSINESS INFORMATION**

Our operations are organized into two lines of business: Investment Servicing and Investment Management, which are defined based on products and services provided. The results of operations for these lines of business are not necessarily comparable with those of other companies, including companies in the financial services industry. For the description of our lines of business, refer to "Lines of Business" in Item 1 in this Form 10-K. Certain costs are not allocated to our two lines of business, including repositioning charges, acquisition costs and certain legal accruals. In addition, the acceleration of deferred compensation of \$147 million in 2021 was not allocated to our two lines of business. See Note 24 to the consolidated financial statements in this Form 10-K.

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## **Investment Servicing**

**TABLE 17: INVESTMENT SERVICING LINE OF BUSINESS RESULTS**

(Dollars in millions, except where otherwise noted)	Years Ended December 31,			% Change 2021 vs. 2020	% Change 2020 vs. 2019
	2021	2020	2019		
Servicing fees	\$ 5,549	\$ 5,167	\$ 5,074	7 %	2 %
Foreign exchange trading services	1,149	1,299	974	(12)	33
Securities finance	402	342	462	18	(26)
Software and processing fees	779	706	691	10	2
Total fee revenue	7,879	7,514	7,201	5	4
Net interest income	1,919	2,211	2,590	(13)	(15)
Total other income	(1)	4	43	nm	nm
<b>Total revenue</b>	<b>9,797</b>	<b>9,729</b>	<b>9,834</b>	<b>1</b>	<b>(1)</b>
Provision for credit losses	(33)	88	10	(138)	780
<b>Total expenses</b>	<b>7,182</b>	<b>7,071</b>	<b>7,140</b>	<b>2</b>	<b>(1)</b>
<b>Income before income tax expense</b>	<b>\$ 2,648</b>	<b>\$ 2,570</b>	<b>\$ 2,684</b>	<b>3</b>	<b>(4)</b>
Pre-tax margin	27 %	26 %	27 %		
Average assets (in billions)	\$ 296.5	\$ 266.4	\$ 220.3		

nm Not meaningful

### **Servicing Fees**

Servicing fees, as presented in Table 17: Investment Servicing Line of Business Results, increased 7% in 2021 compared to 2020 primarily due to higher average equity market levels, client activity and flows, and net new business, partially offset by normal pricing headwinds. FX rates impacted servicing fees positively by 1% in 2021 relative to 2020 and 0.4% in 2020 relative to 2019.

Additional information about servicing fees is provided under "Fee Revenue" in "Consolidated Results of Operations" included in this Management's Discussion and Analysis.

For additional information about the impact of worldwide equity and fixed-income valuations on our fee revenue, as well as other key drivers of our servicing fee revenue, refer to "Fee Revenue" in "Consolidated Results of Operations" included in this Management's Discussion and Analysis.

### **Expenses**

Total expenses for Investment Servicing increased 2% in 2021 compared to 2020, primarily reflecting higher technology infrastructure investments, equipment expenses, higher business volume related costs and unfavorable currency translation, partially offset by expense savings initiatives. Currency translation increased expenses for Investment Servicing by 1% in 2021 relative to 2020. Seasonal deferred incentive compensation expense and payroll taxes were \$141 million in 2021 compared to \$125 million in 2020. Total expenses contributed by CRD were approximately \$287 million and \$248 million in 2021 and 2020, respectively. Additional information about expenses is provided under "Expenses" in "Consolidated Results of Operations" included in this Management's Discussion and Analysis.

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## Investment Management

**TABLE 18: INVESTMENT MANAGEMENT LINE OF BUSINESS RESULTS**

(Dollars in millions, except where otherwise noted)	Years Ended December 31,			% Change 2021 vs. 2020	% Change 2020 vs. 2019
	2021	2020	2019		
Management fees <sup>(1)</sup>	\$ 2,053	\$ 1,880	\$ 1,824	9 %	3 %
Foreign exchange trading services <sup>(2)</sup>	62	64	84	(3)	(24)
Securities finance	14	14	9	—	56
Software and processing fees <sup>(3)</sup>	4	27	29	(85)	(7)
Total fee revenue	<u>2,133</u>	<u>1,985</u>	<u>1,946</u>	7	2
Net interest income	(14)	(11)	(24)	27	(54)
<b>Total revenue</b>	<b>2,119</b>	<b>1,974</b>	<b>1,922</b>	<b>7</b>	<b>3</b>
<b>Total expenses</b>	<b>1,445</b>	<b>1,471</b>	<b>1,535</b>	<b>(2)</b>	<b>(4)</b>
<b>Income before income tax expense</b>	<b>\$ 674</b>	<b>\$ 503</b>	<b>\$ 387</b>	<b>34</b>	<b>30</b>
Pre-tax margin	32 %	25 %	20 %		
Average assets (in billions)	\$ 3.2	\$ 2.9	\$ 3.0		

<sup>(1)</sup> Includes revenues from SPDR® Gold Shares and SPDR® Gold MiniSharesSM Trust AUM where we are not the investment manager but act as the marketing agent.

<sup>(2)</sup> Includes revenue for reimbursements received for certain ETFs associated with State Street Global Advisors where we act as the distribution and marketing agent.

<sup>(3)</sup> Includes other revenue items that are primarily driven by equity market movements.

Investment Management total revenue increased 7% in 2021 compared to 2020.

### Management Fees

Management fees increased 9% in 2021 compared to 2020, primarily due to higher average equity market levels and net inflows from ETFs, partially offset by a previously reported idiosyncratic institutional client asset reallocation expected to be primarily reflected in 2022, and higher money market fee waivers. FX rates impacted management fees positively by 1% in 2021 relative to 2020 and 0.5% in 2020 relative to 2019.

Additional information about management fees is provided under "Fee Revenue" in "Consolidated Results of Operations" included in this Management's Discussion and Analysis.

### Expenses

Total expenses for Investment Management decreased 2% in 2021 compared to 2020, primarily due to savings from on-going expense management initiatives. Currency translation increased expenses for Investment Management by 1% in 2021 relative to 2020. Seasonal deferred incentive compensation expense and payroll taxes were \$35 million in 2021, compared to \$26 million in 2020.

Additional information about expenses is provided under "Expenses" in "Consolidated Results of Operations" included in this Management's Discussion and Analysis.

For additional information about our two lines of business, as well as the revenues, expenses and capital allocation methodologies associated with them, refer to Note 24 to the consolidated financial statements in this Form 10-K.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FINANCIAL CONDITION

The structure of our consolidated statement of condition is primarily driven by the liabilities generated by our Investment Servicing and Investment Management lines of business. Our clients' needs and our operating objectives determine balance sheet volume, mix and currency denomination. As our clients execute their worldwide cash management and investment activities, they utilize deposits and short-term investments that constitute the majority of our liabilities. These liabilities are generally in the form of interest-bearing transaction account deposits, which are denominated in a variety of currencies; non-interest-bearing demand deposits; and repurchase agreements, which generally serve as short-term investment alternatives for our clients.

Deposits and other liabilities resulting from client initiated transactions are invested in assets that generally have contractual maturities significantly longer than our liabilities; however, we evaluate the operational nature of our deposits and seek to maintain appropriate short-term liquidity of those liabilities that are not operational in nature and maintain longer-termed assets for our operational deposits. Our assets consist primarily of securities held in our AFS or HTM portfolios and short-duration financial instruments, such as interest-bearing deposits with banks and securities purchased under resale agreements. The actual mix of assets is determined by the characteristics of the client liabilities and our desire to maintain a well-diversified portfolio of high-quality assets.

The following information on our financial condition is based on our average balance sheet, which we believe is the better measure of our balance sheet trends as period-end balances can be impacted by the timing of client activities including deposits and withdrawals.

**TABLE 19: AVERAGE STATEMENT OF CONDITION<sup>(1)</sup>**

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Assets:</b>			
Interest-bearing deposits with banks	\$ 89,996	\$ 76,588	\$ 48,500
Securities purchased under resale agreements	4,193	3,452	2,506
Trading account assets	752	878	884
Investment securities:			
Investment securities available for sale	66,584	58,036	51,853
Investment securities held-to-maturity	44,832	42,956	39,915
Investment securities held-to-maturity purchased under money market liquidity facility	314	8,183	—
Total Investment securities	<u>111,730</u>	<u>109,175</u>	<u>91,768</u>
Loans	31,009	27,525	24,073
Other interest-earning assets	<u>22,355</u>	<u>11,256</u>	<u>14,160</u>
Average total interest-earning assets	260,035	228,874	181,891
Cash and due from banks	5,057	3,849	3,390
Other non-interest-earning assets	<u>34,651</u>	<u>36,611</u>	<u>38,053</u>
<b>Average total assets</b>	<b><u>\$ 299,743</u></b>	<b><u>\$ 269,334</u></b>	<b><u>\$ 223,334</u></b>
<b>Liabilities and shareholders' equity:</b>			
Interest-bearing deposits:			
U.S.	\$ 104,848	\$ 87,444	\$ 67,547
Non-U.S.	<u>82,126</u>	<u>68,806</u>	<u>61,301</u>
Total interest-bearing deposits <sup>(2)</sup>	<b><u>186,974</u></b>	<b><u>156,250</u></b>	<b><u>128,848</u></b>
Securities sold under repurchase agreements	667	2,615	1,616
Short-term borrowings under money market liquidity facility	315	8,207	—
Other short-term borrowings	788	2,226	1,524
Long-term debt	13,383	14,371	11,474
Other interest-bearing liabilities	<u>5,486</u>	<u>3,176</u>	<u>4,103</u>
Average total interest-bearing liabilities	207,613	186,845	147,565
Non-interest-bearing deposits <sup>(2)</sup>	<u>48,430</u>	<u>36,975</u>	<u>29,414</u>
Other non-interest-bearing liabilities	17,615	20,464	21,299
Preferred shareholders' equity	2,076	2,569	3,653
Common shareholders' equity	<u>24,009</u>	<u>22,481</u>	<u>21,403</u>
<b>Average total liabilities and shareholders' equity</b>	<b><u>\$ 299,743</u></b>	<b><u>\$ 269,334</u></b>	<b><u>\$ 223,334</u></b>

<sup>(1)</sup> Additional information about our average statement of condition, primarily our interest-earning assets and interest-bearing liabilities, is provided in "Net Interest Income" included in this Management's Discussion and Analysis.

<sup>(2)</sup> Total deposits averaged \$235.40 billion in 2021 compared to \$193.23 billion and \$158.26 billion in 2020 and 2019, respectively.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Investment Securities

**TABLE 20: CARRYING VALUES OF INVESTMENT SECURITIES**

(In millions)	As of December 31,		
	2021	2020	2019
<b>Available-for-sale:</b>			
U.S. Treasury and federal agencies:			
Direct obligations	\$ 17,939	\$ 6,575	\$ 3,487
Mortgage-backed securities	<u>18,208</u>	<u>14,305</u>	<u>17,838</u>
Total U.S. Treasury and federal agencies	<u>36,147</u>	<u>20,880</u>	<u>21,325</u>
Non-U.S. debt securities:			
Mortgage-backed securities	1,995	1,996	1,980
Asset-backed securities <sup>(1)</sup>	<u>2,087</u>	<u>2,291</u>	<u>2,179</u>
Non-U.S. sovereign, supranational and non-U.S. agency	<u>23,547</u>	<u>22,087</u>	<u>12,373</u>
Other <sup>(2)</sup>	<u>3,098</u>	<u>3,355</u>	<u>8,658</u>
Total non-U.S. debt securities	<u>30,727</u>	<u>29,729</u>	<u>25,190</u>
Asset-backed securities:			
Student loans <sup>(3)</sup>	211	314	531
Collateralized loan obligations <sup>(4)</sup>	<u>2,155</u>	<u>2,966</u>	<u>1,820</u>
Non-agency CMBS and RMBS <sup>(5)</sup>	<u>52</u>	<u>78</u>	<u>104</u>
Other	<u>91</u>	<u>90</u>	<u>89</u>
Total asset-backed securities	<u>2,509</u>	<u>3,448</u>	<u>2,544</u>
State and political subdivisions	<u>1,272</u>	<u>1,548</u>	<u>1,783</u>
Other U.S. debt securities <sup>(6)</sup>	<u>2,744</u>	<u>3,443</u>	<u>2,973</u>
Total available-for-sale securities	<u>\$ 73,399</u>	<u>\$ 59,048</u>	<u>\$ 53,815</u>
<b>Held-to-maturity:</b>			
U.S. Treasury and federal agencies:			
Direct obligations	\$ 2,170	\$ 6,057	\$ 10,311
Mortgage-backed securities	<u>33,481</u>	<u>36,901</u>	<u>26,297</u>
Total U.S. Treasury and federal agencies	<u>35,651</u>	<u>42,958</u>	<u>36,608</u>
Non-U.S. debt securities:			
Mortgage-backed securities	—	303	366
Non-U.S. sovereign, supranational and non-U.S. agency	<u>1,564</u>	<u>342</u>	<u>328</u>
Total non-U.S. debt securities	<u>1,564</u>	<u>645</u>	<u>694</u>
Asset-backed securities:			
Student loans <sup>(3)</sup>	4,908	4,774	3,783
Non-agency CMBS and RMBS <sup>(7)</sup>	<u>307</u>	<u>554</u>	<u>697</u>
Total asset-backed securities	<u>5,215</u>	<u>5,328</u>	<u>4,480</u>
Total <sup>(7)</sup>	<u>42,430</u>	<u>48,931</u>	<u>41,782</u>
Held-to-maturity under money market mutual fund liquidity facility <sup>(8)</sup>			
—	3,300	—	—
Total held-to-maturity securities <sup>(8)</sup>	<u>\$ 42,430</u>	<u>\$ 52,231</u>	<u>\$ 41,782</u>

<sup>(1)</sup> As of December 31, 2021, 2020 and 2019, the fair value non-U.S. collateralized loan obligations of \$0.83 billion, \$0.96 billion and \$0.89 billion, respectively.

<sup>(2)</sup> As of December 31, 2021, 2020 and 2019, the fair value includes non-U.S. corporate bonds of \$1.53 billion, \$1.88 billion and \$1.78 billion, respectively.

<sup>(3)</sup> Primarily comprised of securities guaranteed by the federal government with respect to at least 97% of defaulted principal and accrued interest on the underlying loans.

<sup>(4)</sup> Excludes collateralized loan obligations in loan form. Refer to Note 4 to the consolidated financial statements in this Form 10-K for additional information.

<sup>(5)</sup> Consists entirely of non-agency CMBS as of December 31, 2021, 2020 and 2019.

<sup>(6)</sup> As of December 31, 2021, 2020 and 2019, the fair value of U.S. corporate bonds was \$2.44 billion, \$3.44 billion and \$2.97 billion, respectively.

<sup>(7)</sup> As of December 31, 2021, 2020 and 2019, the total amortized cost included \$292 million, \$464 million and \$573 million, respectively, of non-agency CMBS and \$14 million, \$90 million and \$124 million, respectively, of non-agency RMBS.

<sup>(8)</sup> As of December 31, 2021 and 2020, we recognized an allowance for credit losses on all HTM securities of \$0 million and \$3 million, respectively, inclusive of \$0 million and \$1 million, respectively, related to HTM securities purchased under the money market mutual fund liquidity facility.

Additional information about our investment securities portfolio is provided in Note 3 to the consolidated financial statements in this Form 10-K.

We manage our investment securities portfolio to align with the interest rate and duration characteristics of our client liabilities and in the context of the overall structure of our consolidated statement of condition, in consideration of the global interest rate environment. We consider a well-diversified, high-credit quality investment securities portfolio to be an important element in the management of our consolidated statement of condition.

Average duration of our investment securities portfolio was 2.9 years and 3.0 years as of December 31, 2021 and December 31, 2020, respectively.

Approximately 92% of the carrying value of the portfolio was rated "AAA" or "AA" as of both December 31, 2021 and December 31, 2020.

**TABLE 21: INVESTMENT PORTFOLIO BY EXTERNAL CREDIT RATING (EXCLUDING SECURITIES PURCHASED UNDER THE MMLF PROGRAM)**

	December 31, 2021	December 31, 2020
AAA <sup>(1)</sup>	79 %	78 %
AA	13	14
A	4	4
BBB	4	4
	100 %	100 %

<sup>(1)</sup> Includes U.S. Treasury and federal agency securities that are split-rated, "AAA" by Moody's Investors Service and "AA+" by Standard & Poor's and also includes Agency MBS securities which are not explicitly rated but which have an explicit or assumed guarantee from the U.S. government.

As of December 31, 2021 and December 31, 2020, the investment portfolio was diversified with respect to asset class composition. The following table presents the composition of these asset classes.

**TABLE 22: INVESTMENT PORTFOLIO BY ASSET CLASS**

	December 31, 2021	December 31, 2020
U.S. Agency Mortgage-backed securities	33 %	39 %
Foreign sovereign	21	20
U.S. Treasuries	17	11
Asset-backed securities	10	11
Other credit <sup>(1)</sup>	19	19
	100 %	100 %

<sup>(1)</sup> Includes the securities purchased under the MMLF program.

## Non-U.S. Debt Securities

Approximately 28% and 27% of the aggregate carrying value of our investment securities portfolio was non-U.S. debt securities as of December 31, 2021 and December 31, 2020, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**TABLE 23: NON-U.S. DEBT SECURITIES<sup>(1)</sup>**

(In millions)	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Available-for-sale:</b>		
Canada	\$ 4,502	\$ 3,163
Australia	3,019	2,809
France	2,180	2,829
Germany	2,130	2,155
United Kingdom	1,961	1,209
Austria	1,478	1,544
Japan	1,332	560
Spain	1,227	1,642
Netherlands	1,109	1,528
Belgium	1,050	1,618
Finland	837	1,222
Italy	803	1,014
Ireland	744	1,226
Other <sup>(2)</sup>	8,355	7,210
Total	<u>\$ 30,727</u>	<u>\$ 29,729</u>
<b>Held-to-maturity:</b>		
Singapore	\$ 222	\$ 342
Australia	—	90
Spain	—	84
Other <sup>(2)</sup>	1,342	129
Total	<u>\$ 1,564</u>	<u>\$ 645</u>

<sup>(1)</sup> Geography is determined primarily based on the domicile of collateral or issuer.

<sup>(2)</sup> As of December 31, 2021, other non-U.S. investments include \$7.4 billion supranational bonds in AFS securities and \$1.3 billion supranational bonds in HTM securities.

Approximately 81% and 80% of the aggregate carrying value of these non-U.S. debt securities was rated "AAA" or "AA" as of December 31, 2021 and December 31, 2020, respectively. The majority of these securities comprised senior positions within the security structures; these positions have a level of protection provided through subordination and other forms of credit protection. As of December 31, 2021 and December 31, 2020, approximately 24% and 21%, respectively, of the aggregate carrying value of these non-U.S. debt securities was floating-rate.

As of December 31, 2021, our non-U.S. debt securities had an average market-to-book ratio of 100.0%, and an aggregate pre-tax net unrealized loss of \$1 million, composed of gross unrealized gains of \$145 million and gross unrealized losses of \$146 million. These unrealized amounts included:

- a pre-tax net unrealized gain of \$8 million, composed of gross unrealized gains of \$145 million and gross unrealized losses of \$137 million, associated with non-U.S. AFS debt securities; and
- a pre-tax net unrealized loss of \$9 million associated with non-U.S. HTM debt securities.

As of December 31, 2021, the underlying collateral for non-U.S. MBS and ABS primarily included Australian, U.K., Netherlands, Spanish and Italian mortgages. The securities listed under

"Canada" were composed of Canadian government securities and provincial bonds, corporate debt and non-U.S. agency securities. The securities listed under "France" were composed of sovereign bonds, corporate debt, covered bonds, ABS and Non-U.S. agency securities. The securities listed under "Japan" were substantially composed of Japanese government securities.

### **Municipal Obligations**

We carried approximately \$1.3 billion of municipal securities classified as state and political subdivisions in our investment securities portfolio as of December 31, 2021, as shown in Table 20: Carrying Values of Investment Securities, all of which were classified as AFS. As of December 31, 2021, we also provided approximately \$9.0 billion of credit and liquidity facilities to municipal issuers.

**TABLE 24: STATE AND MUNICIPAL OBLIGORS<sup>(1)</sup>**

(Dollars in millions)	<u>Total Municipal Securities<sup>(2)</sup></u>	<u>Credit and Liquidity Facilities<sup>(2)</sup></u>	<u>% of Total Municipal Exposure</u>
<b>December 31, 2021</b>			
<b>State of Issuer:</b>			
Texas	\$ 221	\$ 2,357	\$ 2,578
California	108	2,005	2,113
New York	271	1,112	1,383
Massachusetts	245	696	941
Tennessee	—	491	491
Total	<u>\$ 845</u>	<u>\$ 6,661</u>	<u>\$ 7,506</u>
<b>December 31, 2020</b>			
<b>State of Issuer:</b>			
Texas	\$ 268	\$ 2,282	\$ 2,550
California	113	2,174	2,287
New York	297	1,363	1,660
Massachusetts	382	927	1,309
Total	<u>\$ 1,060</u>	<u>\$ 6,746</u>	<u>\$ 7,806</u>

<sup>(1)</sup> Represented 5% or more of our aggregate municipal credit exposure of approximately \$10.22 billion and \$11.06 billion across our businesses as of December 31, 2021 and December 31, 2020, respectively.

<sup>(2)</sup> Includes municipal loans which are also presented within Table 26: U.S. and Non-U.S. Loans.

Our aggregate municipal securities exposure presented in Table 24: State and Municipal Obligors, was concentrated primarily with highly-rated counterparties, with approximately 88% of the obligors rated "AAA" or "AA" as of December 31, 2021. As of that date, approximately 26% and 74% of our aggregate municipal securities exposure was associated with general obligation and revenue bonds, respectively. The portfolios are also diversified geographically, with the states that represent our largest exposures widely dispersed across the U.S.

Additional information with respect to our assessment of impairment of our municipal securities is provided in Note 3 to the consolidated financial statements in this Form 10-K.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**TABLE 25: CONTRACTUAL MATURITIES AND YIELDS**

<b>As of December 31, 2021</b> <b>(Dollars in millions)</b>	<b>Under 1 Year</b>		<b>1 to 5 Years</b>		<b>6 to 10 Years</b>		<b>Over 10 Years</b>		<b>Total</b>
	<b>Amount</b>	<b>Yield</b>	<b>Amount</b>	<b>Yield</b>	<b>Amount</b>	<b>Yield</b>	<b>Amount</b>	<b>Yield</b>	<b>Amount</b>
<b>Available-for-sale<sup>(1)</sup>:</b>									
U.S. Treasury and federal agencies:									
Direct obligations	\$ 1,976	.16 %	\$ 14,912	.68 %	\$ 1,051	1.49 %	\$ —	— %	\$ 17,939
Mortgage-backed securities	73	3.49	846	1.37	7,620	.38	9,669	2.07	18,208
Total U.S. treasury and federal agencies	<u>2,049</u>		<u>15,758</u>		<u>8,671</u>		<u>9,669</u>		<u>36,147</u>
Non-U.S. debt securities:									
Mortgage-backed securities	164	.76	527	.51	33	.38	1,271	.93	1,995
Asset-backed securities	302	.60	1,041	.35	454	.54	290	.24	2,087
Non-U.S. sovereign, supranational and non-U.S. agency	4,480	4.43	16,336	3.44	2,717	2.40	14	1.41	23,547
Other	826	4.52	1,943	3.34	275	3.76	54	2.22	3,098
Total non-U.S. debt securities	<u>5,772</u>		<u>19,847</u>		<u>3,479</u>		<u>1,629</u>		<u>30,727</u>
Asset-backed securities:									
Student loans	115	1.67	—	—	—	—	96	.32	211
Collateralized loan obligations	147	1.07	483	1.02	1,084	1.08	441	1.33	2,155
Non-agency CMBS and RMBS	—	—	—	—	—	—	52	3.57	52
Other	—	—	—	—	91	.88	—	—	91
Total asset-backed securities	<u>262</u>		<u>483</u>		<u>1,175</u>		<u>589</u>		<u>2,509</u>
State and political subdivisions <sup>(2)</sup>	<u>180</u>	<u>5.52</u>	<u>512</u>	<u>4.75</u>	<u>499</u>	<u>4.88</u>	<u>81</u>	<u>4.87</u>	<u>1,272</u>
Other U.S. debt securities	<u>1,002</u>	<u>1.68</u>	<u>1,699</u>	<u>2.23</u>	<u>43</u>	<u>3.07</u>	<u>—</u>	<u>—</u>	<u>2,744</u>
<b>Total</b>	<b><u>\$ 9,265</u></b>		<b><u>\$ 38,299</u></b>		<b><u>\$ 13,867</u></b>		<b><u>\$ 11,968</u></b>		<b><u>\$ 73,399</u></b>
<b>Held-to-maturity<sup>(1)</sup>:</b>									
U.S. Treasury and federal agencies:									
Direct obligations	\$ 2,150	1.73 %	\$ 3	.70 %	\$ 1	.63 %	\$ 16	.57 %	\$ 2,170
Mortgage-backed securities	148	2.62	393	3.14	4,651	1.90	28,289	2.18	33,481
Total U.S. treasury and federal agencies	<u>2,298</u>		<u>396</u>		<u>4,652</u>		<u>28,305</u>		<u>35,651</u>
Non-U.S. debt securities:									
Non-U.S. sovereign, supranational and non-U.S. agency	345	.59	1,218	2.30	1	.50	—	—	1,564
Total non-U.S. debt securities	<u>345</u>		<u>1,218</u>		<u>1</u>		<u>—</u>		<u>1,564</u>
Asset-backed securities:									
Student loans	341	.43	48	.68	971	1.02	3,548	.95	4,908
Non-agency CMBS and RMBS	87	1.35	144	.83	—	—	76	1.34	307
Total asset-backed securities	<u>428</u>		<u>192</u>		<u>971</u>		<u>3,624</u>		<u>5,215</u>
<b>Total</b>	<b><u>\$ 3,071</u></b>		<b><u>\$ 1,806</u></b>		<b><u>\$ 5,624</u></b>		<b><u>\$ 31,929</u></b>		<b><u>\$ 42,430</u></b>

<sup>(1)</sup> The maturities of MBS, ABS and CMOs are based on expected principal payments.

<sup>(2)</sup> Yields were calculated on a FTE basis, using applicable statutory tax rates (21.0% as of December 31, 2021).

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Loans

**TABLE 26: U.S. AND NON-U.S. LOANS**

(In millions)	As of December 31,		
	2021	2020	2019
<b>Domestic<sup>(1)</sup>:</b>			
Commercial and financial:			
Fund Finance <sup>(2)</sup>	\$ 12,396	\$ 11,531	\$ 10,270
Leveraged Loans	3,106	2,923	3,342
Overdrafts	1,796	1,894	1,739
Other <sup>(3)</sup>	2,262	2,688	3,411
Commercial real estate	<u>2,554</u>	<u>2,096</u>	<u>1,766</u>
Total domestic	<u><u>22,114</u></u>	<u><u>21,132</u></u>	<u><u>20,528</u></u>
<b>Foreign<sup>(1)</sup>:</b>			
Commercial and financial:			
Fund Finance <sup>(2)</sup>	7,778	4,432	3,145
Leveraged Loans	1,328	1,242	1,119
Overdrafts	1,312	1,088	1,517
Other <sup>(3)</sup>	—	31	—
Total foreign	<u>10,418</u>	<u>6,793</u>	<u>5,781</u>
Total loans <sup>(4)</sup>	<u><u>32,532</u></u>	<u><u>27,925</u></u>	<u><u>26,309</u></u>
Allowance for loan losses	(87)	(122)	(74)
Loans, net of allowance	<u><u>\$ 32,445</u></u>	<u><u>\$ 27,803</u></u>	<u><u>\$ 26,235</u></u>

<sup>(1)</sup> Domestic and foreign categorization is based on the borrower's country of domicile.

<sup>(2)</sup> Fund finance loans include primarily \$9,147 million private equity capital call finance loans, \$6,397 million loans to real money funds, \$2,913 million collateralized loan obligations in loan form and \$1,387 million loans to business development companies as of December 31, 2021, compared to \$8,380 million and \$6,076 million private equity capital call finance loans, \$6,391 million and \$6,040 million loans to real money funds and \$821 million and \$932 million loans to business development companies as of December 31, 2020 and 2019, respectively.

<sup>(3)</sup> Includes \$1,784 million securities finance loans, \$455 million loans to municipalities and \$23 million other loans as of December 31, 2021, \$1,911 million securities finance loans, \$754 million loans to municipalities and \$54 million other loans as of December 31, 2020 and \$2,537 million securities finance loans, \$848 million loans to municipalities and \$26 million other loans as of December 31, 2019.

<sup>(4)</sup> As of December 30, 2021. Excluding overdrafts, floating rate loans totaled \$26,838 million and fixed rate loans totaled \$2,583 million. We have entered into interest rate swap agreements to hedge the forecasted cash flows associated with LIBOR indexed floating-rate loans. See Note 10 to the consolidated financial statements in this Form 10-K for additional details.

In the second quarter of 2021, in addition to our CLOs in the investment portfolio, we began purchasing CLOs in loan form. The increase in the commercial and financial segment as of December 31, 2021 compared to December 31, 2020 was primarily driven by the purchase of \$2,913 million CLOs in loan form in 2021.

As of December 31, 2021 and December 31, 2020, our leveraged loans totaled approximately \$4.43 billion and \$4.17 billion, respectively. We sold \$181 million leveraged loans in 2021, of which \$8 million remain unsettled and was held for sale as of December 31, 2021. We recorded a charge-off against the allowance for credit losses prior to the sale of these loans of \$2 million in 2021.

In addition, we had binding unfunded commitments as of December 31, 2021 and December 31, 2020 of \$124 million and \$149 million, respectively, to participate in such syndications.

Additional information about these unfunded commitments is provided in Note 12 to the consolidated financial statements in this Form 10-K.

These leveraged loans, which are primarily rated "speculative" under our internal risk-rating framework (refer to Note 4 to the consolidated financial statements in this Form 10-K), are externally rated "BBB," "BB" or "B," with approximately 94% and 85% of the loans rated "BB" or "B" as of December 31, 2021 and December 31, 2020, respectively. Our investment strategy involves generally limiting our investment to larger, more liquid credits underwritten by major global financial institutions, applying our internal credit analysis process to each potential investment and diversifying our exposure by counterparty and industry segment. However, these loans have significant exposure to credit losses relative to higher-rated loans in our portfolio.

Additional information about all of our loan segments, as well as underlying classes, is provided in Note 4 to the consolidated financial statements in this Form 10-K.

No loans were modified in troubled debt restructurings as of both December 31, 2021 and December 31, 2020.

**TABLE 27: CONTRACTUAL MATURITIES FOR LOANS**

(In millions)	As of December 31, 2021			
	Under 1 year	1 to 5 years	5 to 15 years	Total
<b>Domestic:</b>				
Commercial and financial	\$ 10,188	\$ 7,543	\$ 1,829	\$ 19,560
Commercial real estate	78	926	1,550	2,554
Total domestic	<u>10,266</u>	<u>8,469</u>	<u>3,379</u>	<u>22,114</u>
<b>Foreign:</b>				
Commercial and financial	3,973	3,311	3,134	10,418
Total foreign	<u>3,973</u>	<u>3,311</u>	<u>3,134</u>	<u>10,418</u>
Total loans	<u><u>\$ 14,239</u></u>	<u><u>\$ 11,780</u></u>	<u><u>\$ 6,513</u></u>	<u><u>\$ 32,532</u></u>

**TABLE 28: CLASSIFICATION OF LOAN BALANCES DUE AFTER ONE YEAR**

(In millions)	As of December 31, 2021	
	Loans with predetermined interest rates	Loans with floating or adjustable interest rates
<b>Domestic:</b>		
Commercial and financial	\$ 384	\$ 8,987
Commercial real estate	2,153	323
Total domestic	<u>2,537</u>	<u>9,310</u>
<b>Foreign:</b>		
Commercial and financial	47	6,399
Total foreign	<u>47</u>	<u>6,399</u>
Total loans	<u><u>\$ 2,584</u></u>	<u><u>\$ 15,709</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Allowance for credit losses**

**TABLE 29: ALLOWANCE FOR CREDIT LOSSES**

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Allowance for credit losses:</b>			
Beginning balance <sup>(1)</sup>	\$ 148	\$ 93	\$ 83
Provision for credit losses (funded commitments) <sup>(2)</sup>	(29)	83	10
Provisions for credit losses (unfunded commitments) <sup>(3)</sup>	(2)	3	3
Provisions for credit losses (investment securities and all other)	(2)	2	—
Charge-offs <sup>(4)</sup>	(2)	(41)	(3)
FX translation	(5)	8	(2)
Ending balance	<b>\$ 108</b>	<b>\$ 148</b>	<b>\$ 91</b>

<sup>(1)</sup> Beginning January 1, 2020, we adopted ASC 326. Prior to 2020, we recognized an allowance for loan losses under an incurred loss model. Upon adoption, we increased the allowance and reduced retained earnings by approximately \$2 million. As such, the 2020 beginning balance differs from the December 31, 2019 ending balance.

<sup>(2)</sup> The provision for credit losses is primarily related to commercial and financial loans.

<sup>(3)</sup> Prior to the adoption of ASC 326, the provision for unfunded commitments was recorded within other expenses in the consolidated statement of income. Upon adoption of ASC 326 in the first quarter of 2020, the provision for all assets within scope is recorded within the provision for credit losses in the consolidated statement of income.

<sup>(4)</sup> The charge-offs are related to commercial and financial loans.

We adopted ASC 326 in January 2020. The provision for credit losses related to loans and other financial assets held at amortized cost, including investment securities classified as HTM and off-balance sheet commitments, was a \$33 million release of credit reserves in 2021, compared to \$88 million reserve build in 2020.

As of December 31, 2021, approximately \$61 million of our allowance for credit losses was related to leveraged loans included in the commercial and financial segment compared to \$97 million as of December 31, 2020. The reduction in the allowance in 2021 was primarily driven by observed and expected improvements in both credit quality and economic outlook. As our view on current and future economic scenarios change, our allowance for credit losses related to these loans may be impacted through a change to the provisions for credit losses, reflecting credit migration within our loan portfolio, as well as changes in management's economic outlook as of year-end. The remaining \$47 million and \$51 million as of December 31, 2021 and 2020, respectively, was related to other loans, commercial real estate loans, off-balance sheet commitments and other financial assets held at amortized cost, including investment securities held to maturity. As of December 31, 2021, the allowance for credit losses represented 0.3% of total loans.

An allowance for credit losses is recognized on HTM securities upon acquisition of the security, and on AFS securities when the fair value and expected future cash flows of the investment securities are less

than their amortized cost basis. Our assessment of impairment involves an evaluation of economic and security-specific factors. Such factors are based on estimates, derived by management, which contemplate current market conditions and security-specific performance. To the extent that market conditions are worse than management's expectations or due to idiosyncratic bond performance, the credit-related component of impairment, in particular, could increase and would be recorded in the provision for credit losses. Additional information with respect to the allowance for credit losses, net impairment losses and gross unrealized losses related to investment securities, is provided in Note 3 to the consolidated financial statements in this Form 10-K.

### **Cross-Border Outstandings**

Cross-border outstandings are amounts payable to us by non-U.S. counterparties which are denominated in U.S. dollars or other non-local currency, as well as non-U.S. local currency claims not funded by local currency liabilities. Our cross-border outstandings consist primarily of deposits with banks; loans and lease financing, including short-duration advances; investment securities; amounts related to FX and interest rate contracts; and securities finance. In addition to credit risk, cross-border outstandings have the risk that, as a result of political or economic conditions in a country, borrowers may be unable to meet their contractual repayment obligations of principal and/or interest when due because of the unavailability of, or restrictions on, FX needed by borrowers to repay their obligations.

As market and economic conditions change, the major independent credit rating agencies may downgrade U.S. and non-U.S. financial institutions and sovereign issuers which have been, and may in the future be, significant counterparties to us, or whose financial instruments serve as collateral on which we rely for credit risk mitigation purposes, and may do so again in the future. As a result, we may be exposed to increased counterparty risk, leading to negative ratings volatility.

The cross-border outstandings presented in Table 30: Cross-border outstandings, represented approximately 27% and 30% of our consolidated total assets as of December 31, 2021 and December 31, 2020, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**TABLE 30: CROSS-BORDER OUTSTANDINGS<sup>(1)</sup>**

(In millions)	Investment Securities and Other Assets	Derivatives and Securities on Loan	Total Cross- Border Outstandings
<b>December 31, 2021</b>			
Germany	\$ 30,263	\$ 202	\$ 30,465
United Kingdom	13,075	1,287	14,362
Japan	10,713	878	11,591
Canada	8,201	999	9,200
Australia	6,862	534	7,396
Luxembourg	6,300	601	6,901
Ireland	2,822	852	3,674
<b>December 31, 2020</b>			
United Kingdom	\$ 18,880	\$ 1,797	\$ 20,677
Japan	19,537	560	20,097
Germany	18,734	2,163	20,897
Canada	5,997	3,113	9,110
Australia	5,790	2,908	8,698
Luxembourg	5,036	2,148	7,184
France	3,586	3,010	6,596
<b>December 31, 2019</b>			
Germany	\$ 20,968	\$ 217	\$ 21,185
United Kingdom	13,764	1,468	15,232
Japan	11,121	555	11,676
Luxembourg	3,399	668	4,067
Canada	2,955	783	3,738
Australia	3,100	597	3,697
France	2,813	240	3,053
Ireland	1,988	641	2,629
Switzerland	1,724	589	2,313

<sup>(1)</sup> Cross-border outstandings included countries in which we do business, and which amounted to at least 1% of our consolidated total assets as of the dates indicated.

As of December 31, 2021, aggregate cross-border outstandings in France amounted to between 0.75% and 1% of our consolidated assets, at approximately \$2.83 billion. As of December 31, 2020, aggregate cross-border outstandings in each of Switzerland and Ireland amounted to between 0.75% and 1% of our consolidated assets, at approximately \$3.13 billion and \$2.93 billion, respectively. As of December 31, 2019, aggregate cross-border outstandings in the Netherlands amounted to between 0.75% and 1% of our consolidated assets, at approximately \$1.89 billion.

### Risk Management

#### General

In the normal course of our global business activities, we are exposed to a variety of risks, some inherent in the financial services industry, others more specific to our business activities. Our risk management framework focuses on material risks, which include the following:

- credit and counterparty risk;
- liquidity risk, funding and management;
- operational risk;
- information technology risk;

- market risk associated with our trading activities;
- market risk associated with our non-trading activities, which we refer to as asset and liability management, and which consists primarily of interest rate risk;
- strategic risk;
- model risk; and
- reputational, fiduciary and business conduct risk.

Many of these risks, as well as certain factors underlying each of these risks that could affect our businesses and our consolidated financial statements, are discussed in detail under "Risk Factors" in this Form 10-K.

The scope of our business requires that we balance these risks with a comprehensive and well-integrated risk management function. The identification, assessment, monitoring, mitigation and reporting of risks are essential to our financial performance and successful management of our businesses. These risks, if not effectively managed, can result in losses to us as well as erosion of our capital and damage to our reputation. Our approach, including Board and senior management oversight and a system of policies, procedures, limits, risk measurement and monitoring and internal controls, allows for an assessment of risks within a framework for evaluating opportunities for the prudent use of capital that appropriately balances risk and return.

Our objective is to optimize our return while operating at a prudent level of risk. In support of this objective, we have instituted a risk appetite framework that aligns our business strategy and financial objectives with the level of risk that we are willing to incur.

Our risk management is based on the following major goals:

- A culture of risk awareness that extends across all of our business activities;
- The identification, classification and quantification of our material risks;
- The establishment of our risk appetite and associated limits and policies, and our compliance with these limits;
- The establishment of a risk management structure at the "top of the house" that enables the control and coordination of risk-taking across the business lines;
- The implementation of stress testing practices and a dynamic risk-assessment capability;

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

- A direct link between risk and strategic-decision making processes and incentive compensation practices; and
- The overall flexibility to adapt to the ever-changing business and market conditions.

Our risk appetite framework outlines the quantitative limits and qualitative goals that define our risk appetite, as well as the responsibilities for measuring and monitoring risk against limits, and for reporting, escalating, approving and addressing exceptions. Our risk appetite framework is established by ERM, a corporate risk oversight group, in conjunction with the MRAC and the RC of the Board. The Board formally reviews and approves our risk appetite statement annually, or more frequently as required.

The risk appetite framework describes the level and types of risk that we are willing to accommodate in executing our business strategy, and also serves as a guide in setting risk limits across our business units. In addition to our risk appetite framework, we use stress testing as another important tool in our risk management practice. Additional information with respect to our stress testing process and practices is provided under "Capital" in this Management's Discussion and Analysis.

### **Governance and Structure**

We have an approach to risk management that involves all levels of management, from the Board and its committees, including its E&A Committee, RC, the HRC and Tech & Ops Committee, to each business unit and each employee. We allocate responsibility for risk oversight 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 three lines of defense: the business units, which own and manage

the risks inherent in their business, are considered the first line of defense; ERM and other support functions, such as Compliance, Finance and Vendor Management, provide the second line of defense. Corporate Audit is the third line of defense, reports to the E&A committee of the Board and is independent from the business units, ERM and other corporate functions. Corporate Audit provides independent assurance to the Board over the design and operating effectiveness of internal key controls included within the risk management framework.

The responsibilities for effective review and challenge reside with senior managers, management oversight committees, Corporate Audit and, ultimately, the Board and its committees. While we believe that our risk management program is effective in managing the risks in our businesses, internal and external factors may create risks that cannot always be identified or anticipated.

Corporate-level risk committees provide focused oversight, and establish corporate standards and policies for specific risks, including credit, sovereign exposure, market, liquidity, operational, information technology as well as new business products, regulatory compliance and ethics, vendor risk and model risks. These committees have been delegated the responsibility to develop recommendations and remediation strategies to address issues that affect or have the potential to affect us.

We maintain a risk governance committee structure which serves as the formal governance mechanism through which we seek to undertake the consistent identification, management and mitigation of various risks facing us in connection with its business activities. This governance structure is enhanced and integrated through multi-disciplinary involvement, particularly through ERM. The following chart presents this structure.

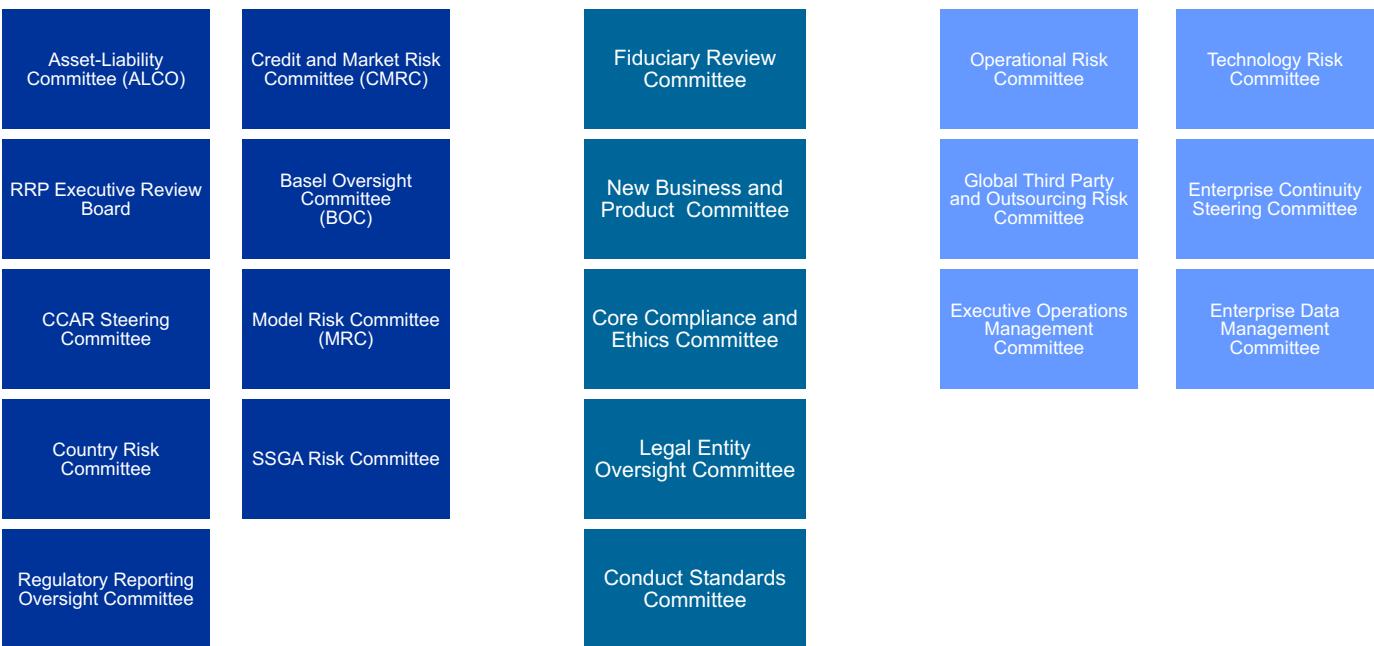
# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Management Risk Governance Committee Structure

### Executive Management Committees:



### Risk Committees:



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### ***Enterprise Risk Management***

The goal of ERM is to ensure that risks are proactively identified, well-understood and prudently managed in support of our business strategy. ERM provides risk oversight, support and coordination to allow for the consistent identification, measurement and management of risks across business units separate from the business units' activities, and is responsible for the formulation and maintenance of corporate-wide risk management policies and guidelines. In addition, ERM establishes and reviews limits and, in collaboration with business unit management, monitors key risks. Ultimately, ERM works to validate that risk-taking occurs within the risk appetite statement approved by the Board and conforms to associated risk policies, limits and guidelines.

The Chief Risk Officer (CRO) is responsible for our risk management globally, leads ERM and has a dual reporting line to our CEO and the Board's RC. ERM manages its responsibilities globally through a three-dimensional organization structure:

- “Vertical” business unit-aligned risk groups that support business managers with risk management, measurement and monitoring activities;
- “Horizontal” risk groups that monitor the risks that cross all of our business units (for example, credit and operational risk); and
- Risk oversight for international activities, which combines intersecting “Verticals” and “Horizontals” through a hub and spoke model to provide important regional and legal entity perspectives to the global risk framework.

Sitting on top of this three-dimensional organization structure is a centralized group responsible for the aggregation of risk exposures across the vertical, horizontal and regional dimensions, for consolidated reporting, for setting the corporate-level risk appetite framework and associated limits and policies, and for dynamic risk assessment across our business.

### ***Board Committees***

The Board has four committees which assist it in discharging its responsibilities with respect to risk management: the Risk Committee (RC), the Examining and Audit Committee (E&A Committee), the Human Resources Committee (HRC) and the Technology and Operations Committee (Tech & Ops Committee). Each of the principal committees of the Board has oversight of ESG matters within their respective scope of responsibilities, including climate-related matters.

The RC is responsible for oversight related to the operation of our global risk management framework, including policies and procedures

establishing risk management governance and processes and risk control infrastructure for our global operations. The RC is responsible for reviewing and discussing with management our assessment and management of all risks applicable to our operations, including credit, market, interest rate, liquidity, operational, regulatory, technology, business, compliance and reputation risks, and related policies.

In addition, the RC provides oversight of capital policies, capital planning and balance sheet management, resolution planning and monitors capital adequacy in relation to risk. The RC is also responsible for discharging the duties and obligations of the Board under applicable Basel and other regulatory requirements.

The E&A Committee oversees management's operation of our comprehensive system of internal controls covering the integrity of our consolidated financial statements and reports, compliance with laws, regulations and corporate policies. The E&A Committee acts on behalf of the Board in monitoring and overseeing the performance of Corporate Audit and in reviewing certain communications with banking regulators. The E&A Committee has direct responsibility for the appointment, compensation, retention, evaluation and oversight of the work of our independent registered public accounting firm, including sole authority for the establishment of pre-approval policies and procedures for all audit engagements and any non-audit engagements.

The HRC has direct responsibility for the oversight of human capital management, all compensation plans, policies and programs in which executive officers participate and incentive, retirement, welfare as well as equity plans in which certain of our other employees participate. In addition, the HRC oversees the alignment of our incentive compensation arrangements with our safety and soundness, including the integration of risk management objectives, and related policies, arrangements and control processes consistent with applicable related regulatory rules and guidance.

The Tech & Ops Committee leads and assists in the Board's oversight of technology and operational risk management and the role of these risks in executing our strategy and supporting our global business requirements. The Tech & Ops Committee reviews strategic initiatives from a technology and operational risk perspective and reviews and approves technology-related risk matters. In addition, Tech & Ops Committee reviews matters related to corporate information security and cybersecurity programs, operational and technology resiliency, data and access management and third-party risk management.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## ***Executive Management Committees***

MRAC is the senior management decision-making body for risk and capital issues, and oversees our financial risks, our consolidated statement of condition, and our capital adequacy, liquidity and recovery and resolution planning. Its responsibilities include:

- The approval of the policies of our global risk, capital and liquidity management frameworks, including our risk appetite framework;
- The monitoring and assessment of our capital adequacy based on internal policies and regulatory requirements;
- The oversight of our firm-wide risk identification, model risk governance, stress testing and Recovery and Resolution Plan programs; and
- The ongoing monitoring and review of risks undertaken within the businesses, and our senior management oversight and approval of risk strategies and tactics.

MRAC is co-chaired by our CRO and Chief Financial Officer, who regularly present to the RC on developments in the risk environment and performance trends in our key business areas.

BCC provides oversight of our business conduct and culture risks and standards, our commitments to clients and others with whom we do business, and our potential reputational risks, on an enterprise-wide basis. Management considers adherence to high ethical standards to be critical to the success of our business and to our reputation. The BCC is co-chaired by our Chief Compliance Officer and our General Counsel.

TORC provides oversight of, and assesses the effectiveness of, corporate-wide technology and operational risk management programs, and reviews areas of improvement to manage and control technology and operational risk consistently across the organization. TORC is co-chaired by the Chief Operating Officer and the Chief Risk Officer.

## ***Risk Committees***

The following risk committees, under the oversight of the respective executive management committees, have focused responsibilities for oversight of specific areas of risk management:

### ***Management Risk and Capital Committee***

- ALCO is the senior corporate oversight and decision-making body for balance sheet strategy, Global Treasury business activities and risk management for interest rate risk, liquidity risk and non-trading market risk. ALCO's roles and responsibilities are designed to be complementary to, and in

coordination with the MRAC, which approves the corporate risk appetite and associated balance sheet strategy;

- CMRC is the independent risk oversight and decision-making body for our credit, counterparty, and trading-related activities. The CMRC is responsible, as part of the second line of defense within ERM, for overseeing alignment of these activities with our appetite for risk and prevailing policy and guidelines. This committee also serves as a forum to discuss, address, and escalate material risk issues;
- BOC provides oversight and governance over Basel related regulatory requirements, assesses compliance with respect to Basel regulations and approves all material methodologies and changes, policies and reporting;
- The Recovery and Resolution Planning Executive Review Board oversees the development of recovery and resolution plans as required by banking regulators;
- MRC monitors the overall level of model risk and provides oversight of the model governance process pertaining to financial models, including the validation of key models and the ongoing monitoring of model performance. The MRC may also, as appropriate, mandate remedial actions and compensating controls to be applied to models to address modeling deficiencies as well as other issues identified;
- The CCAR Steering Committee provides primary supervision of the stress tests performed in conformity with the Federal Reserve's CCAR process and the Dodd-Frank Act, and is responsible for the overall management, review, and approval of all material assumptions, methodologies, and results of each stress scenario;
- The State Street Global Advisors Risk Committee is the most senior oversight and decision making committee for risk management within State Street Global Advisors; the committee is responsible for overseeing the alignment of State Street Global Advisors' strategy, and risk appetite, as well as alignment with our corporate-wide strategies and risk management standards; and
- The Country Risk Committee oversees the identification, assessment, monitoring, reporting and mitigation, where necessary, of country risks.

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- The Regulatory Reporting Oversight Committee is responsible for providing oversight of regulatory reporting and related report governance processes and accountabilities.

### *Business Conduct Committee*

- The Fiduciary Review Committee reviews and assesses the fiduciary risk management programs of those units in which we serve in a fiduciary capacity;
- The New Business and Product Committee provides oversight of the evaluation of the risk inherent in proposed new products or services and new business, and extensions of existing products or services, evaluations including economic justification, material risk, compliance, regulatory and legal considerations, and capital and liquidity analyses;
- The Core Compliance and Ethics Committee provides review and oversight of our compliance programs, including our culture of compliance and high standards of ethical behavior;
- The Legal Entity Oversight Committee establishes standards with respect to the governance of our legal entities, monitors adherence to those standards, and oversees the ongoing evaluation of our legal entity structure, including the formation, maintenance and dissolution of legal entities; and
- The Conduct Standards Committee provides oversight of our enforcement of employee conduct standards.

### *Technology and Operational Risk Committee*

- The Operational Risk Committee, along with the support of regional business or entity-specific working groups and committees, is responsible for oversight of our operational risk programs, including determining that the implementation of those programs is designed to identify, manage and control operational risk in an effective and consistent manner across the firm;
- The Technology Risk Committee is responsible for the global oversight, review and monitoring of operational, legal and regulatory compliance and reputational risk that may result in a significant change to our Information Technology risk profile or a material financial loss or reputational impact to global technology services. The Committee serves as a forum to provide regular reporting

- to TORC and escalate technology risk and control issues to TORC, as appropriate;
- The Enterprise Continuity Steering Committee considers matters pertaining to continuity and related risks, including oversight in determining the direction of the continuity program;
- The Global Third Party and Outsourcing Risk Committee is responsible for overseeing a clear and transparent framework and effective processes for the identification, assessment, and ongoing management of third party and outsourcing-related risks. This committee is also a decision-making body for outsourcing strategy, third party risk acceptance, and the end-to-end third party management process, including the oversight of appropriate controls and risk mitigants that comply with applicable regulatory standards;
- The Executive Operations Management Committee is a forum for the development of strategy, decision-making, and escalation for operations, regulatory remediation, product management, technology, and the operating model; and
- The Enterprise Data Management Committee oversees the enterprise-wide data management strategy, provides independent oversight of the programs associated with enterprise-wide data management, serves as an escalation point for material and emerging enterprise-wide data management issues, and determines / oversees enterprise-wide data management priorities and strategy.

### **Credit Risk Management**

#### **Core Policies and Principles**

We define credit risk as the risk of financial loss if a counterparty, borrower or obligor, collectively referred to as a counterparty, is either unable or unwilling to repay borrowings or settle a transaction in accordance with underlying contractual terms. We assume credit risk in our traditional non-trading lending activities, such as overdrafts, loans and contingent commitments, in our investment securities portfolio, where recourse to a counterparty exists, and in our direct and indirect trading activities, such as securities purchased under a resale agreement, principal securities lending and foreign exchange and indemnified agency securities lending. We also assume credit risk in our day-to-day treasury and securities and other settlement operations, in the form of deposit placements and other cash balances, with central banks or private sector institutions and fees receivables.

We distinguish between three major types of credit risk:

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- Default risk - the risk that a counterparty fails to meet its contractual payment obligations;
- Country risk - the risk that we may suffer a loss, in any given country, due to any of the following reasons: deterioration of economic conditions, political and social upheaval, nationalization and appropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation; and
- Settlement risk - the risk that the settlement or clearance of transactions will fail, which arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

The acceptance of credit risk by us is governed by corporate policies and guidelines, which include standardized procedures applied across the entire organization. These policies and guidelines include specific requirements related to each counterparty's risk profile; the markets served; counterparty, industry and country concentrations; and regulatory compliance. These policies and procedures also implement a number of core principles, which include the following:

- We measure and consolidate credit risks to each counterparty, or group of counterparties, in accordance with a "one-obligor" principle that aggregates risks across our business units;
- ERM reviews and approves all material extensions of credit, and material changes to such extensions of credit (such as changes in term, collateral structure or covenants), in accordance with assigned credit-approval authorities;
- Credit-approval authorities are assigned to individuals according to their qualifications, experience and training, and these authorities are periodically reviewed. Our largest exposures require approval by the Credit Committee, a sub-committee of the CMRC. With respect to small and low-risk extensions of credit to certain types of counterparties, approval authority may be granted to individuals outside of ERM;
- We seek to avoid or limit undue concentrations of risk. Counterparty (or groups of counterparties), industry, country and product-specific concentrations of risk are subject to frequent review and approval in accordance with our risk appetite;
- We determine the creditworthiness of counterparties through a detailed risk

- assessment, including the use of internal risk-rating methodologies;
- We review all extensions of credit and the creditworthiness of counterparties at least annually. The nature and extent of these reviews are determined by the size, nature and term of the extensions of credit and the creditworthiness of the counterparty; and
- We subject all corporate policies and guidelines to annual review as an integral part of our periodic assessment of our risk appetite.

Our corporate policies and guidelines require that the business units which engage in activities that give rise to credit and counterparty risk comply with procedures that promote the extension of credit for legitimate business purposes; are consistent with the maintenance of proper credit standards; limit credit-related losses; and are consistent with our goal of maintaining a strong financial condition.

### ***Structure and Organization***

The Credit and Global Markets Risk group within ERM is responsible for the assessment, approval and monitoring of credit risk across our business. The group is managed centrally, has dedicated teams in a number of locations worldwide, and is responsible for related policies and procedures, and for our internal credit-rating systems and methodologies. In addition, the group, in conjunction with the business units, establishes measurements and limits to control the amount of credit risk accepted across its various business activities, both at the portfolio level and for each individual counterparty or group of counterparties, to individual sectors, and also to counterparties by product and country of risk. These measurements and limits are reviewed periodically, but at least annually.

In conjunction with other groups in ERM, the Credit and Global Markets Risk group is jointly responsible for the design, implementation and oversight of our credit risk measurement and management systems, including data and assessment systems, quantification systems and the reporting framework.

Various key committees within our company are responsible for the oversight of credit risk and associated credit risk policies, systems and models. All credit-related activities are governed by our risk appetite framework and our credit risk guidelines, which define our general philosophy with respect to credit risk and the manner in which we control, manage and monitor such risks.

The previously described CMRC (refer to "Risk Committees") has primary responsibility for the oversight, review and approval of the credit risk

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

guidelines and policies. Credit risk guidelines and policies are reviewed periodically, but at least annually.

The Credit Committee, a sub-committee of the CMRC, has responsibility for assigning credit authority and approving the largest and higher-risk extensions of credit to individual counterparties or groups of counterparties.

CMRC provides periodic updates to MRAC and the Board's RC.

### **Credit Ratings**

We perform initial and ongoing reviews to exercise due diligence on the creditworthiness of our counterparties when conducting any business with them or approving any credit limits.

This due diligence process generally includes the assignment of an internal credit rating, which is determined by the use of internally developed and validated methodologies, scorecards and a 15-grade rating scale. This risk-rating process incorporates the use of risk-rating tools in conjunction with management judgment; qualitative and quantitative inputs are captured in a replicable manner and, following a formal review and approval process, an internal credit rating based on our rating scale is assigned. We generally rate our counterparties individually, although some counterparties defined by us as low-risk are rated on a pooled basis. Credit ratings are reviewed and approved by the Credit and Global Markets Risk group or its delegates. We evaluate and rate the credit risk of our counterparties on an ongoing basis. To facilitate comparability across the portfolio, counterparties within a given sector are rated using a risk-rating tool developed for that sector.

Our risk-rating methodologies are approved for use by the Portfolio Risk Committee, a subcommittee of the CMRC, after completion of internal model validation processes, and are subject to an annual review, including re-validation.

### **Risk Parameter Estimates**

Our internal risk-rating system promotes a clear and consistent approach to the determination of appropriate credit risk classifications for our credit counterparties and exposures, tracking the changes in risk associated with these counterparties and exposures over time. This capability enhances our ability to more accurately calculate both risk exposures and capital, enabling better strategic decision making across the organization.

More specifically, our internal risk rating system is used for the following purposes:

- The assessment of the creditworthiness of new counterparties and, in conjunction with our risk appetite statement, the development

of appropriate credit limits for our products and services, including loans, foreign exchange, securities finance, placements and repurchase agreements;

- The automation of limit approvals for certain low-risk counterparties, as defined in our credit risk guidelines, based on the counterparty's probability-of-default;
- The development of approval authority matrices based on PD; riskier counterparties with higher PDs require higher levels of approval for a comparable PD and limit size compared to less risky counterparties with lower PDs;
- The analysis of risk concentration trends using historical PD and exposure-at-default (or EAD), data;
- The determination of the level of management review of short-duration advances depending on PD; riskier counterparties with higher rating class values generally trigger higher levels of management escalation for comparable short-duration advances compared to less risky counterparties with lower rating-class values;
- The monitoring of credit facility utilization levels using EAD values and the identification of instances where counterparties have exceeded limits;
- The aggregation and comparison of counterparty exposures with risk appetite levels to determine if businesses are maintaining appropriate risk levels; and
- The determination of our regulatory capital requirements for the AIRB set forth in the Basel framework.

### **Credit Risk Mitigation**

We seek to limit our credit exposure and reduce any potential credit losses through the use of various types of credit risk mitigation. The Basel III final rule permits us to reflect the application of credit risk mitigation when it meets the standards outlined therein. Examples of forms of credit risk mitigation include collateral, netting, guarantees and secured interest in non-financial assets. Where possible, we apply the recognition of collateral, guarantees and secured interest over non-financial assets to mitigate overall risk within our counterparty credit portfolio. While credit default swaps are permitted under the Basel III final rule, we do not actively use credit default swaps as a risk mitigation tool.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Collateral*

In many parts of our business, we regularly require or agree for collateral to be received from or provided to clients and counterparties in connection with contracts that incur credit risk. In our trading businesses, this collateral is typically in the form of cash, as well as highly-rated and/or liquid securities (i.e. government securities and other bonds or equity securities). Credit risks in our non-trading and securities finance businesses are also often secured by bonds and equity securities and by other types of assets. Collateral serves to reduce the risk of loss inherent in an exposure. However, changing market values of the collateral we hold, unexpected increases in the credit exposure to a client or counterparty, reductions in the value or change in the type of securities held by us, as well as operational errors or errors in the manner in which we seek to exercise our rights, may reduce the risk mitigation effects of collateral or result in other security interests not being effective to reduce potential credit exposure. While collateral is often an alternative source of repayment, it does not replace the requirement within our policies and guidelines for high-quality underwriting standards. We also may choose to incur credit exposure without the benefit of collateral or other risk mitigating credits rights.

Our credit risk guidelines require that the collateral we accept for risk mitigation purposes is of high quality, can be reliably valued and is supported by a valid security interest that permits liquidation if or when required. Generally, when collateral is of lower quality, more difficult to value or more challenging to liquidate, higher discounts to market values are applied for the purposes of measuring credit risk. For certain less liquid collateral, longer liquidation periods are assumed when determining the credit exposure.

All types of collateral are assessed regularly by ERM, as is the basis on which the collateral is valued. Our assessment of collateral, including the ability to liquidate collateral in the event of a counterparty default, and also with regard to market values of collateral under a variety of hypothetical market conditions, is an integral component of our assessment of risk and approval of credit limits. We also seek to identify, limit and monitor instances of "wrong-way" risk, where a counterparty's risk of default is positively correlated with the risk of our collateral eroding in value.

We maintain policies and procedures requiring that documentation used to collateralize a transaction is legal, valid, binding and enforceable in the relevant jurisdictions. We also conduct legal reviews to assess whether our documentation meets these standards on an ongoing basis.

### *Netting*

Netting is a mechanism that allows institutions and counterparties to net offsetting exposures and payment obligations against one another through the use of qualifying master netting agreements. A master netting agreement allows for certain rights and remedies upon a counterparty default, including the right to net obligations arising under derivatives or other transactions under such agreement. In such an event, the netting of obligations would result in a single net claim owed by, or to, the counterparty. This is commonly referred to as "close-out netting," and is pursued wherever possible. We may also enter into master agreements that allow for the netting of amounts payable on a given day and in the same currency, reducing our settlement risk. This is commonly referred to as "payment netting," and is widely used in our foreign exchange activities.

As with collateral, we have policies and procedures in place to apply close-out and payment netting only to the extent that we have verified legal validity and enforceability of the master agreement. In the case of payment netting, operational constraints may preclude us from reducing settlement risk, notwithstanding the legal right to require the same under the master netting agreement. In the event we become unable, due to operational constraints, actions by regulators, changes in accounting principles, law or regulation (or related interpretations) or other factors, to net some or all of our offsetting exposures and payment obligations under those agreements, we would be required to gross up our assets and liabilities on our statement of condition and our calculation of RWA, accordingly. This would result in a potentially material change in our regulatory ratios, including LCR, and present increased credit, liquidity, asset-and-liability management and operational risks, some of which could be material.

### *Guarantees*

A guarantee is a financial instrument that results in credit support being provided by a third party, (i.e., the protection provider) to the underlying obligor (the beneficiary of the provided protection) on account of an exposure owing by the obligor. The protection provider may support the underlying exposure either in whole or in part. Support of this kind may take different forms. Typical forms of guarantees provided to us include financial guarantees, letters of credit, bankers' acceptances, purchase undertaking agreement contracts and insurance.

We have established a review process to evaluate guarantees under the applicable requirements of our policies and Basel III requirements. Governance for this evaluation is covered under policies and procedures that require regular reviews of documentation, jurisdictions and credit quality of protection providers.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Credit Limits**

Central to our philosophy for our management of credit risk is the approval and imposition of credit limits, against which we monitor the actual and potential future credit exposure arising from our business activities with counterparties or groups of counterparties. Credit limits are a reflection of our risk appetite, which may be determined by the creditworthiness of the counterparty, the nature of the risk inherent in the business undertaken with the counterparty, or a combination of relevant credit factors. Our risk appetite for certain sectors and certain countries and geographic regions may also influence the level of risk we are willing to assume to certain counterparties.

The analysis and approval of credit limits is undertaken in a consistent manner across our businesses, although the nature and extent of the analysis may vary, based on the type, term and magnitude of the risk being assumed. Credit limits and underlying exposures are assessed and measured on both a gross and net basis where appropriate, with net exposure determined by deducting the value of any collateral held. For certain types of risk being assumed, we will also assess and measure exposures under a variety of hypothetical market conditions. Credit limit approvals across our business are undertaken by the Credit and Global Markets Risk group, by individuals to whom credit authority has been delegated, or by the Credit Committee.

Credit limits are re-evaluated annually, or more frequently as needed, and are revised periodically on prevailing and anticipated market conditions, changes in counterparty or country-specific credit ratings and outlook, changes in our risk appetite for certain counterparties, sectors or countries, and enhancements to the measurement of credit utilization.

### **Reporting**

Ongoing active monitoring and management of our credit risk is an integral part of our credit risk management framework. We maintain management information systems to identify, measure, monitor and report credit risk across businesses and legal entities, enabling ERM and our businesses to have timely access to accurate information on credit limits and exposures. Monitoring is performed along the dimensions of counterparty, industry, country and product-specific risks to facilitate the identification of concentrations of risk and emerging trends.

Key aspects of this credit risk reporting structure include governance and oversight groups and policies that define standards for the reporting of credit risk, data aggregation and sourcing systems.

The Credit and Global Markets Risk group routinely assesses the composition of our overall credit risk portfolio for alignment with our stated risk appetite. This assessment includes routine analysis and reporting of the portfolio, monitoring of market-based indicators, the assessment of industry trends and developments and regular reviews of concentrated risks. The Credit and Global Markets Risk group is also responsible, in conjunction with the business units, for defining the appetite for credit risk in the major sectors in which we have a concentration of business activities. These sector-level risk appetite statements, which include counterparty selection criteria and granular underwriting guidelines, are reviewed periodically and approved by the CMRC.

### **Monitoring**

Regular surveillance of credit and counterparty risks is undertaken by our business units, the Credit and Global Markets Risk group and designees with ERM, allowing for frequent and extensive oversight. This surveillance process includes, but is not limited to, the following components:

- Annual Reviews. A formal review of counterparties is conducted at least annually and includes a thorough review of operating performance, primary risk factors and our internal credit risk rating. This annual review also includes a review of current and proposed credit limits, an assessment of our ongoing risk appetite and verification that supporting legal documentation remains effective.
- Interim Monitoring. Monitoring of our largest and riskiest counterparties is undertaken more frequently, utilizing financial information, market indicators and other relevant credit and performance measures. The nature and extent of this interim monitoring is individually tailored to certain counterparties and/or industry sectors to identify material changes to the risk profile of a counterparty (or group of counterparties) and assign an updated internal risk rating in a timely manner.

We maintain an active "watch list" for all counterparties. The watch list status denotes a concern with some aspect of a counterparty's risk profile that warrants closer monitoring of the counterparty's financial performance and related risk factors. Our ongoing monitoring processes are designed to facilitate the early identification of counterparties whose creditworthiness is deteriorating; any counterparty may be placed on the watch list by ERM at its sole discretion.

Counterparties on the watch list generally correspond with the non-investment grade or near

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

non-investment grade ratings established by the major independent credit-rating agencies. The watch list also includes any counterparties rated "Special Mention," "Substandard," "Doubtful" and "Loss."

The Credit and Global Markets Risk group maintains primary responsibility for our watch list processes, and generates a quarterly report of all watch list counterparties. The watch list is formally reviewed at least on a quarterly basis, with participation from senior ERM staff, and representatives from the business units and our corporate finance and legal groups as appropriate. These meetings include a review of individual watch list counterparties, together with credit limits and prevailing exposures, and are focused on actions to contain, reduce or eliminate the risk of loss to us. Identified actions are documented and monitored.

### **Controls**

GCR provides a separate level of surveillance and oversight over the integrity of our credit risk management processes, including the internal risk-rating system. GCR reviews counterparty credit ratings for all identified sectors on an ongoing basis. GCR is subject to oversight by the CMRC, and provides periodic updates to the Board's RC.

Specific activities of GCR include the following:

- Perform separate and objective assessments of our credit and counterparty exposures to determine the nature and extent of risk undertaken by the business units;
- Execute periodic credit process and credit product reviews to assess the quality of credit analysis, compliance with policies, guidelines and relevant regulation, transaction structures and underwriting standards, and risk-rating integrity;
- Identify and monitor developing counterparty, market and/or industry sector trends to limit risk of loss and protect capital;
- Deliver regular and formal reporting to stakeholders, including exam results, identified issues and the status of requisite actions to remedy identified deficiencies;
- Allocate resources for specialized risk assessments (on an as-needed basis); and
- Liaise with assurance partners and regulatory personnel on matters relating to risk rating, reporting and measurement.

### **Allowance for Credit Losses**

We maintain an allowance for credit losses to support our financial assets held at amortized cost. We also maintain an allowance for unfunded commitments and letters of credit to support our off-

balance sheet credit exposure. The two components together represent the Allowance for Credit Losses. Review and evaluation of the adequacy of the Allowance for Credit Losses is ongoing throughout the year, but occurs at least quarterly, and is based, among other factors, on our evaluation of the level of risk in the portfolio and the estimated effects of our forecasts on our counterparty risk. We utilize multiple economic scenarios, consisting of a baseline, upside and downside scenarios, to develop management's forecast of expected losses.

The economic forecast utilized throughout 2021 reflects observed and expected improvements in both credit quality and economic outlook. Allowance estimates remain subject to continued model and economic uncertainty and management may use qualitative adjustments. If future data and forecasts deviate relative to the forecasts utilized to determine our allowance for credit losses as of December 31, 2021, or if credit risk migration is higher or lower than forecasted for reasons independent of the economic forecast, our allowance for credit losses will also change.

Additional information about the allowance for credit losses is provided in Note 4 to the consolidated financial statements in this Form 10-K.

### **Liquidity Risk Management**

Our liquidity framework contemplates areas of potential risk based on our activities, size and other appropriate risk-related factors. In managing liquidity risk we employ limits, maintain established metrics and early warning indicators and perform routine stress testing to identify potential liquidity needs. This process involves the evaluation of a combination of internal and external scenarios which assist us in measuring our liquidity position and in identifying potential increases in cash needs or decreases in available sources of cash, as well as the potential impairment of our ability to access the global capital markets.

We manage our liquidity on a global, consolidated basis. We also manage liquidity on a stand-alone basis at our Parent Company, as well as at certain branches and subsidiaries of State Street Bank. State Street Bank generally has access to markets and funding sources limited to banks, such as the federal funds market and the Federal Reserve's discount window. The Parent Company is managed to a more conservative liquidity profile, reflecting narrower market access. Additionally, the Parent Company typically holds, or has direct access to, primarily through SSIF, a direct subsidiary of the Parent Company, and the support agreement, as discussed in "Supervision and Regulation" in Business in this Form 10-K, enough cash to meet its current debt maturities and cash needs, as well as those projected over the next one-year period. Absent

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

financial distress at the Parent Company, the liquid assets available at SSIF continue to be available to the Parent Company. As of December 31, 2021, the value of our Parent Company's net liquid assets totaled \$482 million, compared with \$492 million as of December 31, 2020, which amount does not include available liquidity through SSIF. As of December 31, 2021, our Parent Company and State Street Bank had no senior notes or subordinated debentures outstanding that will mature in the next twelve months.

As a SIFI, our liquidity risk management activities are subject to heightened and evolving regulatory requirements, including interpretations of those requirements, under specific U.S. and international regulations and also resulting from published and unpublished guidance, supervisory activities, such as stress tests, resolution planning, examinations and other regulatory interactions. Satisfaction of these requirements could, in some cases, result in changes in the composition of our investment portfolio, reduced NII or NIM, a reduction in the level of certain business activities or modifications to the way in which we deliver our products and services. If we fail to meet regulatory requirements to the satisfaction of our regulators, we could receive negative regulatory stress test results, incur a resolution plan deficiency or determination of a non-credible resolution plan or otherwise receive an adverse regulatory finding. Our efforts to satisfy, or our failure to satisfy, these regulatory requirements could materially adversely affect our business, financial condition or results of operations.

### **Governance**

Global Treasury is responsible for our management of liquidity. This includes the day-to-day management of our global liquidity position, the development and monitoring of early warning indicators, key liquidity risk metrics, the creation and execution of stress tests, the evaluation and implementation of regulatory requirements, the maintenance and execution of our liquidity guidelines and contingency funding plan (CFP), and routine management reporting to ALCO, MRAC and the Board's RC.

Global Treasury Risk Management, part of ERM, provides separate oversight over the identification, communication and management of Global Treasury's risks in support of our business strategy. Global Treasury Risk Management reports to the CRO. Global Treasury Risk Management's responsibilities relative to liquidity risk management include the development and review of policies and guidelines; the monitoring of limits related to adherence to the liquidity risk guidelines and associated reporting.

### **Liquidity Framework**

Our liquidity framework contemplates areas of potential risk based on our activities, size and other appropriate risk-related factors. In managing liquidity risk we employ limits, maintain established metrics and early warning indicators, and perform routine stress testing to identify potential liquidity needs. This process involves the evaluation of a combination of internal and external scenarios which assist us in measuring our liquidity position and in identifying potential increases in cash needs or decreases in available sources of cash, as well as the potential impairment of our ability to access the global capital markets.

We manage liquidity according to several principles that are equally important to our overall liquidity risk management framework:

- Structural liquidity management addresses liquidity by monitoring and directing the composition of our consolidated statement of condition. Structural liquidity is measured by metrics such as the percentage of total wholesale funds to consolidated total assets, and the percentage of non-government investment securities to client deposits. In addition, on a regular basis and as described below, our structural liquidity is evaluated under various stress scenarios.
- Tactical liquidity management addresses our day-to-day funding requirements and is largely driven by changes in our primary source of funding, which are client deposits. Fluctuations in client deposits may be supplemented with short-term borrowings, repurchase agreements, FHLB products and certificates of deposit.
- Stress testing and contingent funding planning are longer-term strategic liquidity risk management practices. Regular and ad hoc liquidity stress testing are performed under various severe but plausible scenarios at the consolidated level and at significant subsidiaries, including State Street Bank. These tests contemplate severe market and events specific to us under various time horizons and severities. Tests contemplate the impact of material changes in key funding sources, credit ratings, additional collateral requirements, contingent uses of funding, systemic shocks to the financial markets and operational failures based on market and assumptions specific to us. The stress tests evaluate the required level of funding versus available sources in an adverse environment. As stress testing contemplates potential forward-looking scenarios, results also serve

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

as a trigger to activate specific liquidity stress levels and contingent funding actions.

CFPs are designed to assist senior management with decision-making associated with any contingency funding response to a possible or actual crisis scenario. The CFPs define roles, responsibilities and management actions to be taken in the event of deterioration of our liquidity profile caused by either an event specific to us or a broader disruption in the capital markets. Specific actions are linked to the level of stress indicated by these measures or by management judgment of market conditions.

### **Liquidity Risk Metrics**

In managing our liquidity, we employ early warning indicators and metrics. Early warning indicators are intended to detect situations which may result in a liquidity stress, including changes in our common stock price and the spread on our long-term debt. Additional metrics that are critical to the management of our consolidated statement of condition and monitored as part of our routine liquidity management include measures of our fungible cash position, purchased wholesale funds, unencumbered liquid assets, deposits and the total of investment securities and loans as a percentage of total client deposits.

### **Asset Liquidity**

Central to the management of our liquidity is asset liquidity, which consists primarily of HQLA. HQLA is the amount of liquid assets that qualify for inclusion in the LCR. As a banking organization, we are subject to a minimum LCR under the LCR rule approved by U.S. banking regulators. The LCR is intended to promote the short-term resilience of internationally active banking organizations, like us, 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 HQLA against its net cash outflows. HQLA primarily consists of unencumbered cash and certain high quality liquid securities that qualify for inclusion under the LCR rule. We report LCR to the Federal Reserve daily. For the quarters ended December 31, 2021 and December 31, 2020, daily average LCR for the Parent Company was 105% and 108%, respectively, with the lower daily average LCR for the quarter ended December 31, 2021 driven primarily by higher deposits. The Parent Company LCR does not benefit from the increase in higher deposits as their HQLA is partially restricted by a cap on the HQLA from State Street Bank and Trust under the U.S. LCR final rule as it prohibits the upstreaming of liquidity to the Parent Company under stress. The average HQLA for the Parent Company under the LCR final rule definition was \$159.36 billion and \$143.61 billion, post-prescribed haircuts, for the

quarters ended December 31, 2021 and December 31, 2020, respectively. The increase in average HQLA for the quarter ended December 31, 2021, compared to the quarter ended December 31, 2020, was primarily due to a higher level of client deposits. For the quarter ended December 31, 2021, LCR for State Street Bank and Trust was approximately 129%. State Street Bank and Trust's LCR is higher than the Parent Company's LCR, primarily due to application of the transferability restriction in the LCR final rule to the calculation of the Parent Company's LCR. This restriction limits the HQLA used in the calculation of the Parent Company's LCR to the amount of net cash outflows of its principal banking subsidiary (State Street Bank and Trust). This transferability restriction does not apply in the calculation of State Street Bank and Trust's LCR, and therefore State Street Bank and Trust's LCR reflects the benefit of all of its HQLA holdings.

We maintained average cash balances in excess of regulatory requirements governing deposits with the Federal Reserve of approximately \$83.48 billion at the Federal Reserve, the ECB and other non-U.S. central banks for the quarter ended December 31, 2021, and \$75.68 billion for the quarter ended December 31, 2020. The higher levels of average cash balances with central banks reflect higher levels of client deposits.

Liquid securities carried in our asset liquidity include securities pledged without corresponding advances from the Federal Reserve Bank of Boston (FRBB), the FHLB, and other non-U.S. central banks. State Street Bank is a member of the FHLB. This membership allows for advances of liquidity in varying terms against high-quality collateral, which helps facilitate asset-and-liability management. As of December 31, 2021 and December 31, 2020, we had no outstanding borrowings from the FHLB.

Access to primary, intra-day and contingent liquidity provided by these utilities is an important source of contingent liquidity with utilization subject to underlying conditions. As of December 31, 2021 and December 31, 2020, we had no outstanding primary credit borrowings from the FRBB discount window or any other central bank facility.

In addition to the securities included in our asset liquidity, we have significant amounts of other unencumbered investment securities. These securities are available sources of liquidity, although not as rapidly deployed as those included in our asset liquidity.

The average fair value of total unencumbered securities was \$99.47 billion for the quarter ended December 31, 2021, compared to \$89.12 billion for the quarter ended December 31, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Measures of liquidity include LCR and NSFR, which are described in "Supervision and Regulation" in Business in this Form 10-K.

### **Uses of Liquidity**

Significant uses of our liquidity could result from the following: withdrawals of client deposits; draw-downs by our custody clients of lines of credit; advances to clients to settle securities transactions; increases in our investment and loan portfolios; or other permitted purposes. Such circumstances would generally arise under stress conditions including deterioration in credit ratings. A recurring use of our liquidity involves our deployment of HQLA from our investment portfolio to post collateral to financial institutions serving as sources of securities under our enhanced custody program.

We had unfunded commitments to extend credit with gross contractual amounts totaling \$33.03 billion and \$34.21 billion and standby letters of credit totaling \$3.24 billion and \$3.33 billion as of December 31, 2021 and December 31, 2020, respectively. These amounts do not reflect the value of any collateral. As of December 31, 2021, approximately 76% of our unfunded commitments to extend credit and 43% of our standby letters of credit expire within one year. Since many of our commitments are expected to expire or renew without being drawn upon, the gross contractual amounts do not necessarily represent our future cash requirements.

Information about our resolution planning and the impact actions under our resolution plans could have on our liquidity is provided in "Supervision and Regulation" in Business in this Form 10-K.

### **Funding**

#### **Deposits**

We provide products and services including custody, accounting, administration, daily pricing, FX services, cash management, financial asset management, securities finance and investment advisory services. As a provider of these products and services, we generate client deposits, which have generally provided a stable, low-cost source of funds. As a global custodian, clients place deposits with our entities in various currencies. As of both December 31, 2021 and December 31, 2020, approximately 65% of our average total deposit balances were denominated in U.S. dollars, approximately 15% in EUR, 10% in GBP and 10% in all other currencies.

### *Short-Term Funding*

Our on-balance sheet liquid assets are also an integral component of our liquidity management strategy. These assets provide liquidity through maturities of the assets, but more importantly, they provide us with the ability to raise funds by pledging the securities as collateral for borrowings or through outright sales. In addition, our access to the global capital markets gives us the ability to source incremental funding from wholesale investors. As discussed earlier under "Asset Liquidity," State Street Bank's membership in the FHLB allows for advances of liquidity with varying terms against high-quality collateral.

Short-term secured funding also comes in the form of securities lent or sold under agreements to repurchase. These transactions are short-term in nature, generally overnight and are collateralized by high-quality investment securities. These balances were \$1.58 billion and \$3.41 billion as of December 31, 2021 and December 31, 2020, respectively.

State Street Bank currently maintains a line of credit with a financial institution of CAD \$1.40 billion, or approximately \$1.11 billion, as of December 31, 2021, to support its Canadian securities processing operations. The line of credit has no stated termination date and is cancellable by either party with prior notice. As of both December 31, 2021 and December 31, 2020, there was no balance outstanding on this line of credit.

### *Long-Term Funding*

We have the ability to issue debt and equity securities under our current universal shelf registration statement to meet current commitments and business needs, including accommodating the transaction and cash management needs of our clients. The total amount remaining for issuance under the registration statement is \$3.75 billion as of December 31, 2021. In addition, State Street Bank also has current authorization from the Board to issue up to \$5 billion in unsecured senior debt.

On March 3, 2021, we issued \$850 million aggregate principal amount of 2.200% Senior Subordinated Notes due 2031.

In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock to provide partial funding for our \$3.5 billion planned acquisition of the BBH Investor Services business. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion.

On November 18, 2021, we issued \$500 million aggregate principal amount of 1.684% Fixed-to-Floating Rate Senior Notes due 2027.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Agency Credit Ratings**

Our ability to maintain consistent access to liquidity is fostered by the maintenance of high investment grade ratings as measured by the major independent credit rating agencies. Factors essential to maintaining high credit ratings include:

- diverse and stable core earnings;
- relative market position;
- strong risk management;
- strong capital ratios;
- diverse liquidity sources, including the global capital markets and client deposits;
- strong liquidity monitoring procedures; and
- preparedness for current or future regulatory developments.

High ratings limit borrowing costs and enhance our liquidity by:

- providing assurance for unsecured funding and depositors;
- increasing the potential market for our debt and improving our ability to offer products;
- serving markets; and
- engaging in transactions in which clients value high credit ratings.

A downgrade or reduction of our credit ratings could have a material adverse effect on our liquidity by restricting our ability to access the capital markets, which could increase the related cost of funds. In turn, this could cause the sudden and large-scale withdrawal of unsecured deposits by our clients, which could lead to draw-downs of unfunded commitments to extend credit or trigger requirements under securities purchase commitments; or require additional collateral or force terminations of certain trading derivative contracts.

A majority of our derivative contracts have been entered into under bilateral agreements with counterparties who may require us to post collateral or terminate the transactions based on changes in our credit ratings. We assess the impact of these arrangements by determining the collateral that would be required assuming a downgrade by all rating agencies. The additional collateral or termination payments related to our net derivative liabilities under these arrangements that could have been called by counterparties in the event of a downgrade in our credit ratings below levels specified in the agreements is provided in Note 10 to the consolidated financial statements in this Form 10-K. Other funding sources, such as secured financing transactions and other margin requirements, for which there are no explicit triggers, could also be adversely affected.

**TABLE 31: CREDIT RATINGS**

	As of December 31, 2021		
	Standard & Poor's	Moody's Investors Service	Fitch
<b>State Street:</b>			
Senior debt	A	A1	AA-
Subordinated debt	A-	A2	A
Junior subordinated debt	BBB	A3	NR
Preferred stock	BBB	Baa1	BBB+
Outlook	Stable	Stable	Stable
<b>State Street Bank:</b>			
Short-term deposits	A-1+	P-1	F1+
Long-term deposits	AA-	Aa1	AA+
Senior debt/Long-term issuer	AA-	Aa3	AA
Subordinated debt	A	Aa3	A+
Outlook	Stable	Stable	Stable

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## **Contractual Cash Obligations and Other Commitments**

The long-term contractual cash obligations included within Table 32: Long-Term Contractual Cash Obligations were recorded in our consolidated statement of condition as of December 31, 2021, except for the interest portions of long-term debt and finance leases.

**TABLE 32: LONG-TERM CONTRACTUAL CASH OBLIGATIONS**

December 31, 2021 (In millions)	Payments Due by Period					Total
	Less than 1 year	1-3 years	4-5 years	Over 5 years		
Long-term debt <sup>(1)(2)</sup>	\$ —	\$ 5,131	\$ 3,816	\$ 4,364	\$ 13,311	
Operating leases	158	257	172	162	749	
Finance lease obligations <sup>(2)</sup>	71	89	10	—	170	
Tax liability	—	35	27	—	62	
Total contractual cash obligations	<b>\$ 229</b>	<b>\$ 5,512</b>	<b>\$ 4,025</b>	<b>\$ 4,526</b>	<b>\$ 14,292</b>	

<sup>(1)</sup> Long-term debt excludes finance lease obligations (presented as a separate line item) and the effect of interest rate swaps. Interest payments were calculated at the stated rate with the exception of floating-rate debt, for which payments were calculated using the indexed rate in effect as of December 31, 2021.

<sup>(2)</sup> Additional information about contractual cash obligations related to long-term debt and operating and finance leases is provided in Notes 9 and 20 to the consolidated financial statements in this Form 10-K.

Total contractual cash obligations shown in Table 32: Long-Term Contractual Cash Obligations do not include:

- Obligations which will be settled in cash, primarily in less than one year, such as client deposits, federal funds purchased, securities sold under repurchase agreements and other short-term borrowings. Additional information about deposits, federal funds purchased, securities sold under repurchase agreements and other short-term borrowings is provided in Note 8 to the consolidated financial statements in this Form 10-K.
- Obligations related to derivative instruments because the derivative-related amounts recorded in our consolidated statement of condition as of December 31, 2021 did not represent the amounts that may ultimately be paid under the contracts upon settlement. Additional information about our derivative instruments is provided in Note 10 to the consolidated financial statements in this Form 10-K. We have obligations under pension and other post-retirement benefit plans, with additional information provided in Note 19 to the consolidated financial statements in this Form 10-K, which are not included in Table 32: Long-Term Contractual Cash Obligations.

**TABLE 33: OTHER COMMERCIAL COMMITMENTS**

(In millions)	Duration of Commitment as of December 31, 2021					Total amounts committed <sup>(1)</sup>
	Less than 1 year	1-3 years	4-5 years	Over 5 years		
Indemnified securities financing	\$ 385,740	\$ —	\$ —	\$ —	\$ —	\$ 385,740
Unfunded credit facilities	22,082	6,410	4,252	282	33,026	
Standby letters of credit	1,377	1,287	573	—	3,237	
Purchase obligations <sup>(2)</sup>	86	158	114	15	373	
Total commercial commitments	<b>\$ 409,285</b>	<b>\$ 7,855</b>	<b>\$ 4,939</b>	<b>\$ 297</b>	<b>\$ 422,376</b>	

<sup>(1)</sup> Total amounts committed reflect participations to independent third parties, if any.

<sup>(2)</sup> Amounts represent obligations pursuant to legally binding agreements, where we have agreed to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time.

Additional information about the commitments presented in Table 33: Other commercial commitments, except for purchase obligations, is provided in Note 12 to the consolidated financial statements in this Form 10-K.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Operational Risk Management

### Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk encompasses fiduciary risk and legal risk. Fiduciary risk is defined as the risk that we fail to properly exercise our fiduciary duties in our provision of products or services to clients. Legal risk is the risk of loss resulting from failure to comply with laws and contractual obligations.

Operational risk is inherent in the performance of investment servicing and investment management activities on behalf of our clients. Whether it be fiduciary risk, risk associated with execution and processing or other types of operational risk, a consistent, transparent and effective operational risk framework is key to identifying, monitoring and managing operational risk.

We have established an operational risk framework that is based on three major goals:

- Strong, active governance;
- Ownership and accountability; and
- Consistency and transparency.

### Governance

Our Board is responsible for the approval and oversight of our overall operational risk framework. It does so through its TOPS, which reviews our operational risk framework and approves our operational risk policy annually.

Our operational risk policy establishes our approach to our management of operational risk across our business. The policy identifies the responsibilities of individuals and committees charged with oversight of the management of operational risk, and articulates a broad mandate that supports implementation of the operational risk framework.

ERM and other control groups provide the oversight, validation and verification of the management and measurement of operational risk.

Executive management actively manages and oversees our operational risk framework through membership on various risk management committees, including MRAC, the BCC, TORC, the Operational Risk Committee, the Executive Information Security Steering Committee, the Enterprise Continuity Steering Committee, the Compliance and Ethics Committee, the Vendor Management Lifecycle Executive Review Board and the Fiduciary Review Committee, all of which ultimately report to the appropriate committee of the Board.

The Operational Risk Committee, chaired by the global head of Operational Risk, provides cross-business oversight of operational risk, operational risk programs and their implementation to identify, measure, manage and control operational risk in an effective and consistent manner and reviews and approves operational risk guidelines intended to maintain a consistent implementation of our corporate operational risk policy and framework.

### Ownership and Accountability

We have implemented our operational risk framework to support the broad mandate established by our operational risk policy. This framework represents an integrated set of processes and tools that assists us in the management and measurement of operational risk, including our calculation of required capital and RWA.

The framework takes a comprehensive view and integrates the methods and tools used to manage and measure operational risk. The framework utilizes aspects of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and other industry leading practices, and is designed foremost to address our risk management needs while complying with regulatory requirements. The operational risk framework is intended to provide a number of important benefits, including:

- A common understanding of operational risk management and its supporting processes;
- The clarification of responsibilities for the management of operational risk across our business;
- The alignment of business priorities with risk management objectives;
- The active management of risk and early identification of emerging risks;
- The consistent application of policies and the collection of data for risk management and measurement; and
- The estimation of our operational risk capital requirement.

The operational risk framework employs a distributed risk management infrastructure executed by ERM groups aligned with the business units, which are responsible for the implementation of the operational risk framework at the business unit level.

As with other risks, senior business unit management is responsible for the day-to-day operational risk management of their respective businesses. It is business unit management's responsibility to provide oversight of the implementation and ongoing execution of the operational risk framework within their respective

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

organizations, as well as coordination and communication with ERM.

### ***Consistency and Transparency***

A number of corporate control functions are directly responsible for implementing and assessing various aspects of our operational risk framework, with the overarching goal of consistency and transparency to meet the evolving needs of the business:

- The global head of Operational Risk, a member of the CRO's executive management team, leads ERM's corporate ORM group. ORM is responsible for the strategy, evolution and consistent implementation of our operational risk guidelines, framework and supporting tools across our business. ORM reviews and analyzes operational key risk information, events, metrics and indicators at the business unit and corporate level for purposes of risk management, reporting and escalation to the CRO, senior management and governance committees;
- ERM's Centralized Modeling and Analytics group develops and maintains operational risk capital estimation models, and ORM's Capital Analysis group calculates our required capital for operational risk;
- ERM's MVG independently validates the quantitative models used to measure operational risk, and ORM performs validation checks on the output of the model;
- CIS establishes the framework, policies and related programs to measure, monitor and report on information security risks, including the effectiveness of cybersecurity program protections. CIS defines and manages the enterprise-wide information security program. CIS coordinates with Information Technology, control functions and business units to support the confidentiality, integrity and availability of corporate information assets. CIS identifies and employs a risk-based methodology consistent with applicable regulatory cybersecurity requirements and monitors the compliance of our systems with information security policies; and
- Corporate Audit performs separate reviews of the application of operational risk management practices and methodologies utilized across our business.

Our operational risk framework consists of five components, each described below, which provide a working structure that integrates distinct risk programs into a continuous process focused on

managing and measuring operational risk in a coordinated and consistent manner.

### ***Risk Identification and Assessments***

The objective of risk identification and assessments is to understand business unit strategy, risk profile and potential exposures. It is achieved through a series of risk assessments across our business using techniques for the identification, assessment and measurement of risk across a spectrum of potential frequency and severity combinations, including business-specific programs to identify, assess and measure risk, such as new business and product review and approval, new client screening, and, as deemed appropriate, targeted risk assessments. Two primary risk assessment programs, which occur annually, augmented by other business-specific programs, are the core of this component:

- The risk and control assessment program seeks to understand the risks associated with day-to-day activities, and the effectiveness of controls intended to manage potential exposures arising from these activities. These risks are typically frequent in nature but generally not severe in terms of exposure; and
- The Material Risk Identification process utilizes a bottom-up approach to identify our most significant risk exposures across all on- and off-balance sheet risk-taking activities. The program is specifically designed to consider risks that could have a material impact irrespective of their likelihood or frequency. This can include risks that may have an impact on longer-term business objectives, such as significant change management activities or long-term strategic initiatives.

### ***Capital Analysis***

The primary measurement tool used is an internally developed loss distribution approach (LDA) model. We use the LDA model to quantify required operational risk capital, from which we calculate RWA related to operational risk. Such required capital and RWA totaled \$3.64 billion and \$45.60 billion, respectively, as of December 31, 2021, compared to \$3.53 billion and \$44.15 billion, respectively, as of December 31, 2020; refer to the "Capital" section in "Financial Condition," of this Management's Discussion and Analysis.

The LDA model incorporates the three required operational risk elements described below:

- Internal loss event data is collected from across our business in conformity with our operating loss policy that establishes the

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

- requirements for collecting and reporting individual loss events. We categorize the data into seven Basel-defined event types and further subdivide the data by business unit, as deemed appropriate. Each of these loss events are represented in a UOM which is used to estimate a specific amount of capital required for the types of loss events that fall into each specific category. Some UOMs are measured at the corporate level because they are not "business specific," such as damage to physical assets, where the cause of an event is not primarily driven by the behavior of a single business unit. Internal losses of \$500 or greater are captured, analyzed and included in the modeling approach. Loss event data is collected using a corporate-wide data collection tool, Incident Capture and Management System (ICAMS), to support processes related to analysis, management reporting and the calculation of required capital. Internal loss event data provides our frequency and severity information to our capital calculation process for historical loss events experienced by us. Internal loss event data may be incorporated into our LDA model in a future quarter following the realization of the losses, with the timing and categorization dependent on the processes for model updates and, if applicable, model revalidation and regulatory review and related supervisory processes. An individual loss event can have a significant effect on the output of our LDA model and our operational risk RWA under the advanced approaches depending on the severity of the loss event, its categorization among the seven Basel-defined UOMs and the stability of the distributional approach for a particular UOM;
- External loss event data provides information with respect to loss event severity from other financial institutions to inform our capital estimation process of events in similar business units at other banking organizations. This information supplements the data pool available for use in our LDA model. Assessments of the sufficiency of internal data and the relevance of external data are completed before pooling the two data sources for use in our LDA model; and
  - Business environment and internal control factors are gathered from internal loss event data and business-relevant metrics, such as risk assessment program results, along with industry loss event data and case studies where appropriate. Business environment

and internal control factors are those characteristics of a bank's internal and external operating environment that bear an exposure to operational risk. The use of this information indirectly influences our calculation of required capital by providing additional relevant data to workshop participants when reviewing specific UOM risks.

### ***Monitoring, Reporting and Analytics***

The objective of risk monitoring is to proactively monitor the changing business environment and corresponding operational risk exposure. It is achieved through a series of quantitative and qualitative monitoring tools that are designed to allow us to understand changes in the business environment, internal control factors, risk metrics, risk assessments, exposures and operating effectiveness, as well as details of loss events and progress on risk initiatives implemented to mitigate potential risk exposures.

Operational risk reporting is intended to provide transparency, thereby enabling management to manage risk, provide oversight and escalate issues in a timely manner. It is designed to allow the business units, executive management, and the Board's control functions and committees to gain insight into activities that may result in risks and potential exposures. Reports are intended to identify business activities that are experiencing processing issues, whether or not they result in actual loss events. Reporting includes results of monitoring activities, internal and external examinations, regulatory reviews and control assessments. These elements combine in a manner designed to provide a view of potential and emerging risks facing us and information that details its progress on managing risks.

### ***Effectiveness and Testing***

The objective of effectiveness and testing is to verify that internal controls are designed appropriately, are consistent with corporate and regulatory standards, and are operating effectively. It is achieved through a series of assessments by both internal and external parties, independent registered public accounting firms, business self-assessments and other control function reviews, such as a Sarbanes-Oxley Act of 2002 (SOX) testing program.

Consistent with our standard model validation process, the operational risk LDA model is subject to a detailed review, overseen by the MRC. In addition, the model is subject to a rigorous internal governance process. All changes to the model or input parameters, and the deployment of model updates, are reviewed and approved by the Operational Risk Committee, which has oversight responsibility for the model, with technical input from the MRC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## **Documentation and Guidelines**

Documentation and guidelines allow for consistency and repeatability of the various processes that support the operational risk framework across our business.

Operational risk guidelines document our practices and describe the key elements in a business unit's operational risk management program. The purpose of the guidelines is to set forth and define key operational risk terms, provide further detail on our operational risk programs, and detail the business units' responsibilities to identify, assess, measure, monitor and report operational risk. The guideline supports our operational risk policy.

Data standards have been established to maintain consistent data repositories and systems that are controlled, accurate and available on a timely basis to support operational risk management.

## **Information Technology Risk Management**

### **Overview and Principles**

We define technology risk as the risk associated with the use, ownership, operation, involvement, influence and adoption of information technology. Technology risk includes risks potentially triggered by technology non-compliance with regulatory obligations, information security and privacy incidents, business disruption, technology internal control and process gaps, technology operational events and adoption of new business technologies.

The principal technology risks within our technology risk policy and risk appetite framework include:

- Third party and vendor management risk;
- Business disruption and technology resiliency risk;
- Technology change management risk;
- Cyber and information security risk;
- Technology asset and configuration risk; and
- Technology obsolescence risk.

### **Governance**

Our Board is responsible for the approval and oversight of our overall technology risk framework and program. It does so through its TOPS, which reviews and approves our technology risk policy and appetite framework annually.

Our technology risk policy establishes our approach to our management of technology risk across our business. The policy identifies the responsibilities of individuals and committees charged with oversight of the management of technology risk and articulates a broad mandate that supports implementation of the technology risk framework.

Risk control functions in the business are responsible for adopting and executing the information technology risk framework and reporting requirements. They do this, in part, by developing and maintaining an inventory of critical applications and supporting infrastructure, as well as identifying, assessing and measuring technology risk utilizing the technology risk framework. They are also responsible for monitoring and evaluating risk on a continual basis using key risk indicators, risk reporting and adopting appropriate risk responses to risk issues.

The Chief Technology Risk Officer, a member of the CRO's executive management team, leads the Enterprise Technology Risk Management (ETRM) function. ETRM is the separate risk function responsible for the technology risk strategy and appetite, and technology risk framework development and execution. ETRM also performs overall technology risk monitoring and reporting to the Board, and provides a separate view of the technology risk posture to executive leadership.

We manage technology risks by:

- Coordinating various risk assessment and risk management activities, including ERM operational risk programs;
- Establishing, through TORC and TOPS of the Board, the enterprise level technology risk and cyber risk appetite and limits;
- Producing enterprise level risk reporting, aggregation, dashboards, profiles and risk appetite statements;
- Validating appropriateness of reporting of information technology risks and risk acceptance to senior management risk committees and the Board;
- Promoting a strong technology risk culture through communication;
- Serving as an escalation and challenge point for technology risk policy guidance, expectations and clarifications;
- Assessing effectiveness of key enterprise information technology risk and internal control remediation programs; and
- Providing risk oversight, challenge and monitoring for the Global Continuity and Third Party Vendor Management Program, including the collection of risk appetite, metrics and key risk indicators, and reviewing issue management processes and consistent program adoption.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Cybersecurity Risk Management**

Cybersecurity risk is managed as part of our overall information technology risk framework as outlined above under the direction of our Chief Information Security Officer.

We recognize the significance of cyber-attacks and have taken steps to mitigate the risks associated with them. We have made significant investments in building a mature cybersecurity program to leverage people, technology and processes to protect our systems and the data in our care. We have also implemented a program to help us better measure and manage the cybersecurity risk we face when we engage with third parties for services.

All employees are required to adhere to our cybersecurity policy and standards. Our centralized information security group provides education and training. This training includes a required annual online training class for all employees, multiple simulated phishing attacks and regular information security awareness materials.

We employ Information Security Officers to help the business better understand and manage their information security risks, as well as to work with the centralized Information Security team to drive awareness and compliance throughout the business.

We use independent third parties to perform ethical hacks of key systems to help us better understand the effectiveness of our controls and to better implement more effective controls, and we engage with third parties to conduct reviews of our overall program to help us better align our cybersecurity program with what is required of a large financial services organization.

We have an incident response program in place that is designed to enable a well-coordinated response to mitigate the impact of cyber-attacks, recover from the attack and to drive the appropriate level of communication to internal and external stakeholders.

The TORC assesses and manages the effectiveness of our cybersecurity program, which is overseen by the TOPS of our Board. The TOPS receives regular cybersecurity updates throughout the year and is responsible for reviewing and approving the program on an annual basis.

### **Market Risk Management**

Market risk is defined by U.S. banking regulators as the risk of loss that could result from broad market movements, such as changes in the general level of interest rates, credit spreads, foreign exchange rates or commodity prices. We are exposed to market risk in both our trading and certain of our non-trading, or asset-and-liability management, activities.

Information about the market risk associated with our trading activities is provided below under "Trading Activities." Information about the market risk associated with our non-trading activities, which consists primarily of interest rate risk, is provided below under "Asset-and-Liability Management Activities."

### **Trading Activities**

In the conduct of our trading activities, we assume market risk, the level of which is a function of our overall risk appetite, business objectives and liquidity needs, our clients' requirements and market volatility and our execution against those factors.

We engage in trading activities primarily to support our clients' needs and to contribute to our overall corporate earnings and liquidity. In connection with certain of these trading activities, we enter into a variety of derivative financial instruments to support our clients' needs and to manage our interest rate and currency risk. These activities are generally intended to generate foreign exchange trading services revenue and to manage potential earnings volatility. In addition, we provide services related to derivatives in our role as both a manager and a servicer of financial assets.

Our clients use derivatives to manage the financial risks associated with their investment goals and business activities. With the growth of cross-border investing, our clients often enter into foreign exchange forward contracts to convert currency for international investments and to manage the currency risk in their international investment portfolios. As an active participant in the foreign exchange markets, we provide foreign exchange forward and option contracts in support of these client needs, and also act as a dealer in the currency markets.

As part of our trading activities, we assume positions in the foreign exchange and interest rate markets by buying and selling cash instruments and entering into derivative instruments, including foreign exchange forward contracts, foreign exchange and interest rate options and interest rate swaps, interest rate forward contracts and interest rate futures. As of December 31, 2021, the notional amount of these derivative contracts was \$2.60 trillion, of which \$2.58 trillion was composed of foreign exchange forward, swap and spot contracts. We seek to match positions closely with the objective of mitigating related currency and interest rate risk. All foreign exchange contracts are valued daily at current market rates.

### **Governance**

Our assumption of market risk in our trading activities is an integral part of our corporate risk appetite. Our Board reviews and oversees our management of market risk, including the approval of key market risk policies and the receipt and review of

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

regular market risk reporting, as well as periodic updates on selected market risk topics.

The previously described CMRC (refer to "Risk Committees") oversees all market risk-taking activities across our business associated with trading. The CMRC, which reports to MRAC, is composed of members of ERM, our global markets business and our Global Treasury group, as well as our senior executives who manage our trading businesses and other members of management who possess specialized knowledge and expertise. The CMRC meets regularly to monitor the management of our trading market risk activities.

Our business units identify, actively manage and are responsible for the market risks inherent in their businesses. A dedicated market risk management group within ERM, and other groups within ERM, work with those business units to assist them in the identification, assessment, monitoring, management and control of market risk, and assist business unit managers with their market risk management and measurement activities. ERM provides an additional line of oversight, support and coordination designed to promote the consistent identification, measurement and management of market risk across business units, separate from those business units' discrete activities.

The ERM market risk management group is responsible for the management of corporate-wide market risk, the monitoring of key market risks and the development and maintenance of market risk management policies, guidelines and standards aligned with our corporate risk appetite. This group also establishes and approves market risk tolerance limits and trading authorities based on, but not limited to, measures of notional amounts, sensitivity, VaR and stress. Such limits and authorities are specified in our trading and market risk guidelines which govern our management of trading market risk.

We are subject to regular monitoring, reviews and supervisory exams of our market risk function by the Federal Reserve. In addition, we are regulated by, among others, the SEC, the Financial Industry Regulatory Authority and the U.S. Commodities Futures Trading Commission.

### **Risk Appetite**

Our corporate market risk appetite is specified in policy statements that outline the governance, responsibilities and requirements surrounding the identification, measurement, analysis, management and communication of market risk arising from our trading activities. These policy statements also set forth the market risk control framework to monitor, support, manage and control this portion of our risk appetite. All groups involved in the management and control of market risk associated with trading activities

are required to comply with the qualitative and quantitative elements of these policy statements. Our trading market risk control framework is composed of the following:

- A trading market risk management process led by ERM, separate from the business units' discrete activities;
- Defined responsibilities and authorities for the primary groups involved in trading market risk management;
- A trading market risk measurement methodology that captures correlation effects and allows aggregation of market risk across risk types, markets and business lines;
- Daily monitoring, analysis and reporting of market risk exposures associated with trading activities against market risk limits;
- A defined limit structure and escalation process in the event of a market risk limit excess;
- Use of VaR models to measure the one-day market risk exposure of trading positions;
- Use of VaR as a ten-day-based regulatory capital measure of the market risk exposure of trading positions;
- Use of non-VaR-based limits and other controls;
- Use of stressed-VaR models, stress-testing analysis and scenario analysis to support the trading market risk measurement and management process by assessing how portfolios and global business lines perform under extreme market conditions;
- Use of back-testing as a diagnostic tool to assess the accuracy of VaR models and other risk management techniques; and
- A new product approval process that requires market risk teams to assess trading-related market risks and apply risk tolerance limits to proposed new products and business activities.

We use our CAP to assess our overall capital and liquidity in relation to our risk profile and provide a comprehensive strategy for maintaining appropriate capital and liquidity levels. With respect to market risk associated with trading activities, our risk management and our calculations of regulatory capital are based primarily on our internal VaR models and stress testing analysis. As discussed in detail under "Value-at-Risk and Stressed VaR" below, VaR is measured daily by ERM.

The CMRC oversees our market risk exposure in relation to limits established within our risk appetite framework. These limits define threshold levels for

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

VaR- and stressed VaR-based measures and are applicable to all trading positions subject to regulatory capital requirements. These limits are designed to prevent any undue concentration of market risk exposure, in light of the primarily non-proprietary nature of our trading activities. The risk appetite framework and associated limits are reviewed and approved by the Board's RC.

### **Covered Positions**

Our trading positions are subject to regulatory market risk capital requirements if they meet the regulatory definition of a "covered position." A covered position is generally defined by U.S. banking regulators as an on- or off-balance sheet position associated with the organization's trading activities that is free of any restrictions on its tradability, but does not include intangible assets, certain credit derivatives recognized as guarantees and certain equity positions not publicly traded. All FX and commodity positions are considered covered positions, regardless of the accounting treatment they receive. The identification of covered positions for inclusion in our market risk capital framework is governed by our trading and market risk guidelines, which outlines the standards we use to determine whether a trading position is a covered position.

Our covered positions consist primarily of the trading portfolios held by our global markets business. They also arise from certain positions held by our Global Treasury group. These trading positions include products such as foreign exchange spot, foreign exchange forwards, non-deliverable forwards, foreign exchange options, foreign exchange funding swaps, currency futures, financial futures and interest rate futures. New activities are analyzed to determine if the positions arising from such new activities meet the definition of a covered position and conform to our trading and market risk guidelines. This documented analysis, including any decisions with respect to market risk treatments, must receive approval from the CMRC.

We use spot rates, forward points, yield curves and discount factors imported from third-party sources to measure the value of our covered positions, and we use such values to mark our covered positions to market on a daily basis. These values are subject to separate validation by us in order to evaluate reasonableness and consistency with market experience. The mark-to-market gain or loss on spot transactions is calculated by applying the spot rate to the foreign currency principal and comparing the resultant base currency amount to the original transaction principal. The mark-to-market gain or loss on a forward foreign exchange contract or forward cash flow contract is determined as the difference between the life-to-date (historical) value of

the cash flow and the value of the cash flow at the inception of the transaction. The mark-to-market gain or loss on interest rate swaps is determined by discounting the future cash flows from each leg of the swap transaction.

### **Value-at-Risk and Stressed VaR**

We use a variety of risk measurement tools and methodologies, including VaR, which is an estimate of potential loss for a given period within a stated statistical confidence interval. We use a risk measurement methodology to measure trading-related VaR daily. We have adopted standards for measuring trading-related VaR, and we maintain regulatory capital for market risk associated with our trading activities in conformity with currently applicable bank regulatory market risk requirements.

We utilize an internal VaR model to calculate our regulatory market risk capital requirements. We use a historical simulation model to calculate daily VaR- and stressed VaR-based measures for our covered positions in conformity with regulatory requirements. Our VaR model seeks to capture identified material risk factors associated with our covered positions, including risks arising from market movements such as changes in foreign exchange rates, interest rates and option-implied volatilities.

We have adopted standards and guidelines to value our covered positions which govern our VaR- and stressed VaR-based measures. Our regulatory VaR-based measure is calculated based on historical volatilities of market risk factors during a two-year observation period calibrated to a one-tail, 99% confidence interval and a ten-business-day holding period. We also use the same platform to calculate a one-tail, 99% confidence interval, one-business-day VaR for internal risk management purposes. A 99% one-tail confidence interval implies that daily trading losses are not expected to exceed the estimated VaR more than 1% of the time, or less than three business days out of a year.

Our market risk models, including our VaR model, are subject to change in connection with the governance, validation and back-testing processes described below. These models can change as a result of changes in our business activities, our historical experiences, market forces and events, regulations and regulatory interpretations and other factors. In addition, the models are subject to continuing regulatory review and approval. Changes in our models may result in changes in our measurements of our market risk exposures, including VaR, and related measures, including regulatory capital. These changes could result in material changes in those risk measurements and related measures as calculated and compared from period to period.

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### *Value-at-Risk Measures*

VaR measures are based on the most recent two years of historical price movements for instruments and related risk factors to which we have exposure. The instruments in question are limited to foreign exchange spot, forward and options contracts and interest rate contracts, including futures and interest rate swaps. Historically, these instruments have exhibited a higher degree of liquidity relative to other available capital markets instruments. As a result, the VaR measures shown reflect our ability to rapidly adjust exposures in highly dynamic markets. For this reason, risk inventory, in the form of net open positions, across all currencies is typically limited. In addition, long and short positions in major, as well as minor, currencies provide risk offsets that limit our potential downside exposure.

Our VaR methodology uses a historical simulation approach based on market-observed changes in foreign exchange rates, U.S. and non-U.S. interest rates and implied volatilities, and incorporates the resulting diversification benefits provided from the mix of our trading positions. Our VaR model incorporates approximately 5,000 risk factors and includes correlations among currency, interest rates and other market rates.

All VaR measures are subject to limitations and must be interpreted accordingly. Some, but not all, of the limitations of our VaR methodology include the following:

- Compared to a shorter observation period, a two-year observation period is slower to reflect increases in market volatility (although temporary increases in market volatility will affect the calculation of VaR for a longer period); consequently, in periods of sudden increases in volatility or increasing volatility, in each case relative to the prior two-year period, the calculation of VaR may underestimate current risk;
- Compared to a longer observation period, a two-year observation period may not reflect as many past periods of volatility in the markets, because such past volatility is no longer in the observation period; consequently, historical market scenarios of high volatility, even if similar to current or likely future market circumstances, may fall outside the two-year observation period, resulting in a potential understatement of current risk;
- The VaR-based measure is calibrated to a specified level of confidence and does not indicate the potential magnitude of losses beyond this confidence level;

- In certain cases, VaR-based measures approximate the impact of changes in risk factors on the values of positions and portfolios; this may happen because the number of inputs included in the VaR model is necessarily limited; for example, yield curve risk factors do not exist for all future dates;
- The use of historical market information may not be predictive of future events, particularly those that are extreme in nature; this "backward-looking" limitation can cause VaR to underestimate or overestimate risk;
- The effect of extreme and rare market movements is difficult to estimate; this may result from non-linear risk sensitivities as well as the potential for actual volatility and correlation levels to differ from assumptions implicit in the VaR calculations; and
- Intra-day risk is not captured.

We calculate a stressed VaR-based measure using the same model we use to calculate VaR, but with model inputs calibrated to historical data from a range of continuous twelve-month periods that reflect significant financial stress. The stressed VaR model is designed to identify the second-worst outcome occurring in the worst continuous one-year rolling period since July 2007. This stressed VaR meets the regulatory requirement as the rolling ten-day period with an outcome that is worse than 99% of other outcomes during that twelve-month period of financial stress. For each portfolio, the stress period is determined algorithmically by seeking the one-year time horizon that produces the largest ten-business-day VaR from within the available historical data. This historical data set includes the financial crisis of 2008, the highly volatile period surrounding the Eurozone sovereign debt crisis and the Standard & Poor's downgrade of U.S. Treasury debt in August 2011. As the historical data set used to determine the stress period expands over time, future market stress events will be incorporated.

### *Stress Testing*

We have a corporate-wide stress testing program in place that incorporates an array of techniques to measure the potential loss we could suffer in a hypothetical scenario of adverse economic and financial conditions. We also monitor concentrations of risk such as concentration by branch, risk component, and currency pairs. We conduct stress testing on a daily basis based on selected historical stress events that are relevant to our positions in order to estimate the potential impact to our current portfolio should similar market conditions recur, and we also perform stress testing as part of the Federal Reserve's CCAR process.

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Stress testing is conducted, analyzed and reported at the corporate, trading desk, division and risk-factor level (for example, exchange risk, interest rate risk and volatility risk).

Stress testing results and limits are actively monitored on a daily basis by ERM and reported to the CMRC. Limit breaches are addressed by ERM risk managers in conjunction with the business units, escalated as appropriate, and reviewed by the CMRC if material. In addition, we have established several action triggers that prompt immediate review by management and the implementation of a remediation plan.

We perform scenario analysis daily based on selected historical stress events that are relevant to our positions in order to estimate the potential impact to our current portfolio should similar market conditions recur. Relevant scenarios are chosen from an inventory of historical financial stresses and applied to our current portfolio. These historical event scenarios involve spot foreign exchange, credit, equity, unforeseen geo-political events and natural disasters, and government and central bank intervention scenarios. Examples of the specific historical scenarios we incorporate in our stress testing program may include the Asian financial crisis of 1997, the September 11, 2001 terrorist attacks in the U.S. and the 2008 financial crisis. We continue to update our inventory of historical stress scenarios as new stress conditions emerge in the financial markets.

As each of the historical stress events is associated with a different time horizon, we normalize results by scaling down the longer horizon events to a ten-day horizon and keeping the shorter horizon events (i.e., events that are shorter than ten days) at their original terms. We also conduct sensitivity analysis daily to calculate the impact of a large predefined shock in a specific risk factor or a group of risk factors on our current portfolio. These predefined shocks include parallel and non-parallel yield curve shifts and foreign exchange spot and volatility surface shifts. In a parallel shift scenario, we apply a constant factor shift across all yield curve tenors. In a non-parallel shift scenario, we apply different shock levels to different tenors of a yield curve, rather than shifting the entire curve by a constant amount. Non-parallel shifts include steepening, flattening and butterflies.

### ***Validation and Back-Testing***

We perform frequent back-testing to assess the accuracy of our VaR-based model in estimating loss at the stated confidence level. This back-testing involves the comparison of estimated VaR model outputs to daily, actual profit-and-loss (P&L) outcomes observed from daily market movements. We back-test our VaR model using “clean” P&L, which excludes non-trading revenue such as fees, commissions and NII, as well as estimated revenue from intra-day trading.

Our VaR definition of trading losses excludes items that are not specific to the price movement of the trading assets and liabilities themselves, such as fees, commissions, changes to reserves and gains or losses from intra-day activity.

We experienced one back-testing exception in 2021 and three back-testing exceptions in 2020. At a 99% confidence interval, the statistical expectation for a VaR model is to witness one exception every hundred trading days (or two to three exceptions per year). The 2021 back-testing exception has been attributed to dislocation in FX markets caused by greater demand for funding over year-end periods. The 2020 back-testing exceptions were all noted during the March 2020 market turmoil where some of the largest risk factor shifts since the 2007/2008 financial crisis were observed.

Our model validation process also evaluates the integrity of our VaR models through the use of regular outcome analysis. This outcome analysis includes back-testing, which compares the VaR model's predictions to actual outcomes using out-of-sample information. Consistent with regulatory guidance, the back-testing compared “clean” P&L, defined above, with the one-day VaR produced by the model. The back-testing was performed for a time period not used for model development. The number of occurrences where “clean” trading-book P&L exceeded the one-day VaR was within our expected VaR tolerance level.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Market Risk Reporting**

Our ERM market risk management group is responsible for market risk monitoring and reporting. We use a variety of systems and controlled market feeds from third-party services to compile data for several daily, weekly and monthly management reports.

The following tables present VaR and stressed VaR associated with our trading activities for covered positions held during the years ended December 31, 2021 and 2020, respectively, as measured by our VaR methodology. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for each trading activity. This effect arises because the risks present in our trading activities are not perfectly correlated.

**TABLE 34: TEN-DAY VALUE-AT-RISK ASSOCIATED WITH TRADING ACTIVITIES FOR COVERED POSITIONS**

(In thousands)	Year Ended December 31, 2021			As of December 31, 2021			Year Ended December 31, 2020		
	Average	Maximum	Minimum	VaR	Average	Maximum	Minimum	VaR	VaR
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Global Markets	\$ 15,214	\$ 30,485	\$ 5,252	\$ 16,998	\$ 12,430	\$ 33,991	\$ 5,220	\$ 9,321	
Global Treasury	3,189	9,762	220	3,556	2,899	8,874	112	4,015	
Diversification	(2,115)	(7,958)	1,024	(4,519)	(2,253)	(9,062)	(121)	(4,068)	
Total VaR	<b>\$ 16,288</b>	<b>\$ 32,289</b>	<b>\$ 6,496</b>	<b>\$ 16,035</b>	<b>\$ 13,076</b>	<b>\$ 33,803</b>	<b>\$ 5,211</b>	<b>\$ 9,268</b>	

**TABLE 35: TEN-DAY STRESSED VALUE-AT-RISK ASSOCIATED WITH TRADING ACTIVITIES FOR COVERED POSITIONS**

(In thousands)	Year Ended December 31, 2021			As of December 31, 2021			Year Ended December 31, 2020		
	Average	Maximum	Minimum	VaR	Average	Maximum	Minimum	VaR	VaR
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Global Markets	\$ 41,698	\$ 101,535	\$ 13,037	\$ 65,840	\$ 35,031	\$ 84,755	\$ 15,399	\$ 35,999	
Global Treasury	9,601	29,651	814	12,419	7,895	23,533	587	8,555	
Diversification	(5,607)	(20,018)	2,918	(17,505)	(6,330)	(23,570)	1,620	(1,106)	
Total Stressed VaR	<b>\$ 45,692</b>	<b>\$ 111,168</b>	<b>\$ 16,769</b>	<b>\$ 60,754</b>	<b>\$ 36,596</b>	<b>\$ 84,718</b>	<b>\$ 17,606</b>	<b>\$ 43,448</b>	

The average and period-end stressed VaR-based measures were approximately \$46 million and \$61 million, respectively, for the year ended December 31, 2021, compared to \$37 million and \$43 million, respectively, for the year ended December 31, 2020. The increase in the average and period-end VaR-based and stressed VaR-based measures was primarily due to higher residual interest rate positions throughout the year. With regards to our VaR-based measure, the model uses a two-year historical observation period, and as such, the measure is still driven by the heightened market volatility experienced during the early stages of the COVID-19 pandemic, primarily with respect to FX rates and interest rates.

The VaR-based measures presented in the preceding tables are primarily a reflection of the overall level of market volatility and our appetite for taking market risk in our trading activities. Overall levels of volatility have been low both on an absolute basis and relative to the historical information observed at the beginning of the period used for the calculations. Both the ten-day VaR-based measures and the stressed VaR-based measures are based on historical changes observed during rolling ten-day periods for the portfolios as of the close of business each day over the past one-year period.

We have in the past and may in the future modify and adjust our models and methodologies used to calculate VaR and stressed VaR, subject to regulatory review and approval, and any future modifications and adjustments may result in changes in our VaR-based and stressed VaR-based measures.

The following tables present the VaR and stressed-VaR associated with our trading activities attributable to foreign exchange risk, interest rate risk and volatility risk as of December 31, 2021 and 2020, respectively. The totals of the VaR-based and stressed VaR-based measures for the three attributes in total exceeded the related total VaR and total stressed VaR presented in the foregoing tables as of each period-end, primarily due to the benefits of diversification across risk types. Diversification effect in the tables below represents the difference between total VaR and the sum of the VaRs for each trading activity. This effect arises because the risks present in our trading activities are not perfectly correlated.

**TABLE 36: TEN-DAY VaR ASSOCIATED WITH TRADING ACTIVITIES BY RISK FACTOR<sup>(1)</sup>**

(In thousands)	As of December 31, 2021			As of December 31, 2020		
	Foreign Exchange Risk	Interest Rate Risk	Volatility Risk	Foreign Exchange Risk	Interest Rate Risk	Volatility Risk
	\$	\$	\$	\$	\$	\$
<b>By component:</b>						
Global Markets	\$ 6,945	\$ 16,424	\$ 108	\$ 2,977	\$ 8,880	\$ 179
Global Treasury	531	3,688	—	33	4,257	—
Diversification	(877)	(3,682)	—	(42)	(2,246)	—
Total VaR	<b>\$ 6,599</b>	<b>\$ 16,430</b>	<b>\$ 108</b>	<b>\$ 2,968</b>	<b>\$ 10,891</b>	<b>\$ 179</b>

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**TABLE 37: TEN-DAY STRESSED VaR ASSOCIATED WITH TRADING ACTIVITIES BY RISK FACTOR<sup>(1)</sup>**

(In thousands)	As of December 31, 2021			As of December 31, 2020		
	Foreign Exchange Risk	Interest Rate Risk	Volatility Risk	Foreign Exchange Risk	Interest Rate Risk	Volatility Risk
By component:						
Global Markets	\$ 9,445	\$ 63,368	\$ 157	\$ 5,102	\$ 39,615	\$ 265
Global Treasury	667	13,218	—	83	8,465	—
Diversification	(1,551)	(17,500)	—	(51)	(8,102)	—
Total Stressed VaR	<b>\$ 8,561</b>	<b>\$ 59,086</b>	<b>\$ 157</b>	<b>\$ 5,134</b>	<b>\$ 39,978</b>	<b>\$ 265</b>

<sup>(1)</sup> For purposes of risk attribution by component, foreign exchange refers only to the risk from market movements in period-end rates. Forwards, futures, options and swaps with maturities greater than period-end have embedded interest rate risk that is captured by the measures used for interest rate risk. Accordingly, the interest rate risk embedded in these foreign exchange instruments is included in the interest rate risk component.

### **Asset and Liability Management Activities**

The primary objective of asset and liability management is to provide sustainable NII under varying economic conditions, while protecting the economic value of the assets and liabilities carried on our consolidated statement of condition from the adverse effects of changes in interest rates. While many market factors affect the level of NII and the economic value of our assets and liabilities, one of the most significant factors is our exposure to movements in interest rates. Most of our NII is earned from the investment of client deposits generated by our businesses. We invest these client deposits in assets that conform generally to the characteristics of our balance sheet liabilities, including the currency composition of our significant non-U.S. dollar denominated client liabilities.

We quantify NII sensitivity using an earnings simulation model that includes our expectations for new business growth, changes in balance sheet mix and investment portfolio positioning. This measure compares our baseline view of NII over a twelve-month horizon, based on our internal forecast of interest rates, to a wide range of rate shocks. The baseline view of NII is updated on a regular basis. Relative to December 31, 2020, the December 31, 2021 baseline forecast reflects an increased balance sheet size. Table 38, Key Interest Rates for Baseline Forecasts, presents the spot and 12-month forward rates used in our baseline forecasts at December 31, 2021 and December 31, 2020. Our December 31, 2021 baseline forecast includes the expectation of three rate hikes by the Federal Reserve over the next 12 months.

**TABLE 38: KEY INTEREST RATES FOR BASELINE FORECASTS**

	December 31, 2021		December 31, 2020	
	Fed Funds Target	10-Year Treasury	Fed Funds Target	10-Year Treasury
Spot rates	0.25 %	1.77 %	0.25 %	0.93 %
12-month forward rates	1.00	1.95	0.25	1.12

In Table 39: Net Interest Income Sensitivity, we report the expected change in NII over the next twelve months from instantaneous shocks to various tenors on the yield curve, including the impacts from U.S. and non-U.S. rates. Each scenario assumes no management action is taken to mitigate the adverse effects of interest rate changes on our financial performance. While investment securities balances and composition can fluctuate with the level of rates as prepayment assumptions change, for purposes of this analysis our deposit balances are assumed to remain consistent with the baseline forecast. In lower rate scenarios, the full impact of the shock is realized for all currencies even if the result is negative interest rates.

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**TABLE 39: NET INTEREST INCOME SENSITIVITY**

(In millions)	December 31, 2021 <sup>(2)</sup>						December 31, 2020					
	U.S. Dollar			All Other Currencies		Total	U.S. Dollar			All Other Currencies		Total
	Benefit	(Exposure)			(Exposure)		Benefit	(Exposure)			(Exposure)	
Rate change:												
<b>Parallel shifts:</b>												
+100 bps shock	\$ 447	\$ 306		\$ 753	\$ 410	\$ 172	\$ 582					
-100 bps shock	384	(39)		345	591	196	787					
<b>Steeper yield curve:</b>												
'+100 bps shift in long-end rates <sup>(1)</sup>	114	16		130	135	3	138					
'-100 bps shift in short-end rates <sup>(1)</sup>	519	(22)		497	743	199	942					
<b>Flatter yield curve:</b>												
'+100 bps shift in short-end rates <sup>(1)</sup>	337	290		627	282	168	450					
'-100 bps shift in long-end rates <sup>(1)</sup>	(132)	(16)		(148)	(141)	(3)	(144)					

<sup>(1)</sup> The short end is 0-3 months. The long end is 5 years and above. Interim term points are interpolated.

<sup>(2)</sup> Does not reflect any impact of our planned acquisition of the BBH Investor Services business.

As of December 31, 2021, NII is expected to benefit from an increase in interest rates. Compared to December 31, 2020, our NII is more sensitive to parallel rate increases primarily driven by higher levels of deposits partially offset by higher expected client deposit betas as rates rise. Our projection of an NII benefit to an upward rate shock of +100bps assumes deposit betas are similar to the 2016-2017 rising rate cycle. Our projection also assumes that baseline deposit levels remain relatively consistent with fourth quarter 2021 averages. We expect that our NII benefit in the +100bps scenarios would be lower if either deposit levels decline relative to our baseline or client deposit betas are higher than the prior rising rate cycle.

Our NII is expected to benefit from a -100 bps rate shock due to assets with contractual floors, primarily in our lending portfolio, but compared to December 31, 2020, the benefit has decreased primarily due to the expectation that some central banks will raise rates over the next 12 months. This expectation widens the margin on client deposits in our baseline, but compresses them in lower rate scenarios.

EVE sensitivity is a discounted cash flow model designed to estimate the fair value of assets and liabilities under a series of interest rate shocks over a long-term horizon. In the following table, we report our EVE sensitivity to 200 bps instantaneous rate shocks, relative to spot interest rates. Management compares the change in EVE sensitivity against our aggregate Tier 1 and Tier 2 risk-based capital, calculated in conformity with current applicable regulatory requirements. EVE sensitivity is dependent on the timing of interest and principal cash flows. Also, the measure only evaluates the spot balance sheet and does not include the impact of new business assumptions.

**TABLE 40: ECONOMIC VALUE OF EQUITY SENSITIVITY**

(In millions)	As of December 31,					
	2021			2020		
	Benefit (Exposure)					
Rate change:						
+200 bps shock	\$		(1,380)	\$		(1,603)
-200 bps shock			3,829			5,538

As of December 31, 2021, EVE sensitivity remains exposed to upward shifts in interest rates. Compared to December 31, 2020, our sensitivity in the up 200 bps shock scenario decreased due to higher client deposits and an increase in expected prepayment speeds on agency RMBS, partially offset by growth in our securities portfolio and interest rate hedging activity.

Both NII sensitivity and EVE sensitivity are routinely monitored as market conditions change. For additional information about our Asset and Liability Management Activities, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations, "Risk Management."

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### **Model Risk Management**

The use of models is widespread throughout the financial services industry, with large and complex organizations relying on sophisticated models to support numerous aspects of their financial decision making. The models contemporaneously represent both a significant advancement in financial management and a source of risk. In large banking organizations like us, model results influence business decisions, and model failure could have a harmful effect on our financial performance. As a result, the MRM Framework seeks to mitigate our model risk.

Our MRM program has three principal components:

- A model risk governance program that defines roles and responsibilities, including the authority to restrict model usage, provides policies and guidance, monitors compliance and reports regularly to the Board on the overall degree of model risk across the corporation;
- A model development process that focuses on sound design and computational accuracy, and includes activities designed to assess data quality, to test for robustness, stability and sensitivity to assumptions, and to conduct ongoing monitoring of model performance; and
- An independent model validation function designed to verify that models are conceptually sound, computationally accurate, are performing as expected, and are in line with their intended use.

The MRM Framework, highlighted above, also provides insight and guidance into addressing key model risks that arise.

### **Governance**

Models used in the regulatory capital calculation can only be deployed for use after undergoing a model validation by ERM's MRM group. The model validation results and/or a decision by the Model Risk Committee must permit model usage or the model may not be used.

ERM's MRM group is responsible for defining the corporate-wide model risk management framework, maintaining policies that achieve the framework's objectives. All regulatory capital calculation models, including any artificial intelligence and machine learning models, must comply with the model risk management framework and corresponding policies. The team is responsible for overall model risk governance capabilities, with particular emphasis in the areas of model validation, model risk reporting, model performance monitoring,

tracking of new model development status and committee-level review and challenge.

MRC, which is composed of senior managers responsible for representing functional areas and business units with key models across the organization, reports to MRAC, and provides guidance and oversight to the MRM function.

### **Model Development and Ongoing Monitoring**

Models are developed under standards governing data sourcing, methodology selection and model integrity testing. Model development includes a statement of purpose to align development with intended use. It may also include a comparison of alternative approaches to promote a sound modeling approach.

Model developers conduct an assessment of data quality and relevance. The development teams conduct a variety of tests of the accuracy, robustness and stability of each model.

Model owners submit models to the MVG for validation on a regular basis, as per the existing policy. The model owners also conduct ongoing monitoring of each model.

### **Model Validation**

MVG is part of MRM within ERM and performs model validations and reviews. MVG is independent, as contemplated by applicable bank regulatory requirements, of both the developers and users of the models. MVG validates models through an evaluation process that assesses the appropriateness, accuracy, and suitability of data inputs, methodologies, documentation, assumptions, and processing code. Model validation also encompasses an assessment of model performance, sensitivity, and robustness, as well as a model's potential limitations given its particular assumptions or deficiencies. Based on the results of its review, MVG issues a model use decision and may require remedial actions and/or compensating controls on model use. MVG also maintains a model risk rating system, which assigns a risk rating to each model based on an assessment of a model's inherent and residual risks. These ratings aid in the understanding and reporting of model risk across the model portfolio, and enable the triaging of needs for remediation.

Although model validation is the primary method of subjecting models to independent review and challenge, in practice, a multi-step governance process provides the opportunity for challenge by multiple parties. First, MVG conducts a model validation and issues a model use decision. MVG communicates their result as one of the following three outcomes: "Approved", "Approved with conditions", or "Not Approved". There are three ways in which a model can be deemed "Not approved for

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Use" given a validation: 1) the aggregation of the model scoring within MRM's Model Risk Rating System (MRRS) model is poor enough to result in a "high" rating, 2) the scoring of one or more MRRS model element(s) is deemed "critical" resulting in an automatic "high" rating irrespective of the other elements as the "critical" element(s) undermines the model, or 3) the remediation action is not properly taken by the due date resulting in a severe compliance breach that undercuts the model rating. Second, these decisions may be reviewed, challenged, and confirmed by the MRC. Finally, model use decisions, risk ratings, and overall levels of model risk may be reported to and reviewed by MRAC. MRM also reports regularly on model risk issues to the Board.

### **Strategic Risk Management**

We define strategic risk as the current or prospective impact on earnings or capital arising from adverse business decisions, improper implementation of strategic initiatives, or lack of responsiveness to industry-wide changes. Strategic risks are influenced by changes in the competitive environment; decline in market performance or changes in our business activities; and the potential secondary impacts of reputational risks, not already captured as market, interest rate, credit, operational, model or liquidity risks. We incorporate strategic risk into our assessment of our business plans and risk and capital management processes. Active management of strategic risk is an integral component of all aspects of our business.

Separating the effects of a potential material adverse event into operational and strategic risk is sometimes difficult. For instance, the direct financial impact of an unfavorable event in the form of fines or penalties would be classified as an operational risk loss, while the impact on our reputation and consequently the potential loss of clients and corresponding decline in revenue would be classified as a strategic risk loss. An additional example of strategic risk is the integration of a major acquisition. Failure to successfully integrate the operations of an acquired business, and the resultant inability to retain clients and the associated revenue, would be classified as a loss due to strategic risk.

Strategic risk is managed with a long-term focus. Techniques for its assessment and management include the development of business plans, which are subject to robust review and challenge from senior management and the Board of Directors, as well as a formal review and approval process for all new business and product proposals. The potential impact of the various elements of strategic risk is difficult to quantify with any degree of precision. We use a combination of historical earnings volatility, scenario

analysis, stress-testing and management judgment to help assess the potential effect on us attributable to strategic risk. Management and control of strategic risks are generally the responsibility of the business units, with oversight from the control functions, as part of their overall strategic planning and internal risk management processes.

On March 5, 2021, the Intercontinental Exchange Benchmark Administration announced, in conjunction with the United Kingdom Financial Conduct Authority (FCA), that it would cease the publication of GBP, EUR, Swiss Franc and the Japanese Yen LIBOR settings for all tenors, as well as one week and two months U.S. dollar LIBOR settings, on December 31, 2021 and would cease the publication of overnight and twelve months U.S. dollar LIBOR settings on June 30, 2023.

We have established a process to identify, assess, plan for and remediate the use of LIBOR and other reference rates affected by reference rate reform that addresses both direct exposures on our balance sheet, and, more importantly, the use of LIBOR in our various service provider roles to our customers. This process is led by a wide, multi-disciplinary LIBOR program management office ("LIBOR PMO"), established in September 2018, that will continue to lead our transition efforts through June of 2023.

The LIBOR PMO reports regularly to executive management of the firm and our key regulators on progress with respect to client communications, updating quantitative models and information technology systems, managing vendors, contracts remediation, adoption of alternative reference rates for various financial products and services, evaluation of fallback provisions contained in LIBOR-priced loans, investment securities, derivatives and long-term debt and general operational readiness for each stage of the transition.

Most of the work identified by the LIBOR PMO for implementation of the transition is substantially complete, and contingency plans have been developed to deal with identified uncertainties. No incremental material investments are expected to be needed for systems and processes related to the transition. Potential risks that could impact our remediation efforts include overall transition readiness across the industry, third party vendor dependencies and resource constraints from the concentration of remediation activities at key points in the transition process.

Our direct on balance sheet exposures to LIBOR are limited and primarily include assets held in the investment portfolio, certain loans made through Global Credit Finance and issuances of long-term debt and preferred stock. We have planned for, and are prepared to transition our remaining on balance sheet exposures in a manner consistent with regulatory guidance and the availability of interim solutions for various legacy LIBOR contracts. We will not originate or issue new LIBOR-based loans or

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long-term debt, and any purchases of LIBOR-based investment securities will be screened for adequate fallback language. Our remaining exposure outstanding at June 2023 is largely governed by existing fallback language, or jurisdictional legislation that provides for appropriate fallback provisions. Our financial performance depends, in part, on our ability to adapt to market changes promptly, while avoiding increased related expenses or operational errors. Substantial risks and uncertainties are associated with the market transition away from the use of LIBOR as an interest rate benchmark used to determine amounts payable under, and the value of, relevant financial instruments and contracts.

### **Capital**

Managing our capital involves evaluating whether our actual and projected levels of capital are commensurate with our risk profile, are in compliance with all applicable regulatory requirements, and are sufficient to provide us with the financial flexibility to undertake future strategic business initiatives. We assess capital adequacy based on relevant regulatory capital requirements, as well as our own internal capital goals, targets and other relevant metrics.

### **Framework**

Our objective with respect to management of our capital is to maintain a strong capital base in order to provide financial flexibility for our business needs, including funding corporate growth and supporting clients' cash management needs, and to provide protection against loss to depositors and creditors. We strive to maintain an appropriate level of capital, commensurate with our risk profile, on which an attractive return to shareholders is expected to be realized over both the short and long-term, while protecting our obligations to depositors and creditors and complying with regulatory capital requirements.

Our capital management focuses on our risk exposures, the regulatory requirements applicable to us with respect to multiple capital measures, the evaluations and resulting credit ratings of the major independent rating agencies, our return on capital at both the consolidated and line-of-business level and our capital position relative to our peers.

Assessment of our overall capital adequacy includes the comparison of capital sources with capital uses, as well as the consideration of the quality and quantity of the various components of capital. The assessment seeks to determine the optimal level of capital and composition of capital instruments to satisfy all constituents of capital, with the lowest overall cost to shareholders. Other factors considered in our assessment of capital adequacy are strategic and contingency planning, stress testing and planned capital actions.

### **Capital Adequacy Process (CAP)**

Our primary federal banking regulator is the Federal Reserve. Both we and State Street Bank are subject to the minimum regulatory capital requirements established by the Federal Reserve and defined in the Federal Deposit Insurance Corporation Improvement Act. State Street Bank must exceed the regulatory capital thresholds for "well capitalized" in order for our Parent Company to maintain its status as a financial holding company. Accordingly, one of our primary objectives with respect to capital management is to exceed all applicable minimum regulatory capital requirements and for State Street Bank to be "well capitalized" under the PCA guidelines established by the FDIC. Our capital management activities are conducted as part of our corporate-wide CAP and associated Capital Policy and Guidelines.

We consider capital adequacy to be a key element of our financial well-being, which affects our ability to attract and maintain client relationships; operate effectively in the global capital markets; and satisfy regulatory, security holders and shareholder needs. Capital is one of several elements that affect our credit ratings and the ratings of our principal subsidiaries.

In conformity with our Capital Policy and Guidelines, we strive to achieve and maintain specific internal capital levels, not just at a point in time, but over time and during periods of stress, to account for changes in our strategic direction, evolving economic conditions, and financial and market volatility. We have developed and implemented a corporate-wide CAP to assess our overall capital in relation to our risk profile and to provide a comprehensive strategy for maintaining appropriate capital levels. The CAP considers material risks under multiple scenarios, with an emphasis on stress scenarios, and encompasses existing processes and systems used to measure our capital adequacy.

### **Capital Contingency Planning**

Contingency planning is an integral component of capital management. The objective of contingency planning is to monitor current and forecast levels of select capital, liquidity and other measures that serve as early indicators of a potentially adverse capital or liquidity adequacy situation. These measures are one of the inputs used to set our internal capital adequacy level. We review these measures annually for appropriateness and relevance in relation to our financial budget and capital plan. In addition, we maintain an inventory of capital contingency actions designed to conserve or generate capital to support the unique risks in our business model, our client and investor demands and regulatory requirements.

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### **Stress Testing**

We administer a robust business-wide stress-testing program that executes stress tests each year to assess the institution's capital adequacy and/or future performance under adverse conditions. Our stress testing program is structured around what we determine to be the key risks inherent in our business, as assessed through a recurring material risk identification process. The material risk identification process represents a bottom-up approach to identifying the institution's most significant risk exposures across all on- and off-balance sheet risk-taking activities, including credit, market, liquidity, interest rate, operational, fiduciary, business, reputation and regulatory risks. These key risks serve as an organizing principle for much of our risk management framework, as well as reporting, including the "risk dashboard" provided to the Board.

In connection with the focus on our key risks, each stress test incorporates idiosyncratic loss events tailored to our unique risk profile and business activities. Due to the nature of our business model and our consolidated statement of condition, our risks differ from those of a traditional commercial bank. Over the past few years, stress scenarios have included a deep recession in the U.S., including impacts from the COVID-19 pandemic, a break-up of the Eurozone, a severe recession in China and an oil shock precipitated by turmoil in the Middle East/North Africa region.

The Federal Reserve requires bank holding companies with total consolidated assets of \$50 billion or more, which includes us, to submit a capital plan on an annual basis. The Federal Reserve uses its annual CCAR process, which incorporates hypothetical financial and economic stress scenarios, to review those capital plans and assess whether banking organizations have capital planning processes that account for idiosyncratic risks and provide for sufficient capital to continue operations throughout times of economic and financial stress. As part of its CCAR process, the Federal Reserve assesses each organization's capital adequacy, capital planning process and plans to distribute capital, such as dividend payments or stock purchase programs. Management and Board risk committees review, challenge and approve CCAR results and assumptions before submission to the Federal Reserve.

Through the evaluation of our capital adequacy and/or future performance under adverse conditions, the stress testing process provides us important insights for capital planning, risk management and strategic decision-making.

### **Governance**

In order to support integrated decision making, we have identified three management elements to aid in the compatibility and coordination of our CAP:

- Risk Management - identification, measurement, monitoring and forecasting of different types of risk and their combined impact on capital adequacy;
- Capital management - determination of optimal capital levels; and
- Business Management - strategic planning, budgeting, forecasting and performance management.

We have a hierarchical structure supporting appropriate committee review of relevant risk and capital information. The ongoing responsibility for capital management rests with our Treasurer. The Capital Management group within Global Treasury is responsible for the Capital Policy and Guidelines, development of the Capital Plan, the oversight of global capital management and optimization.

The MRAC provides oversight of our capital management, our capital adequacy, our internal targets and the expectations of the major independent credit rating agencies. In addition, MRAC approves our balance sheet strategy and related activities. The Board's RC assists the Board in fulfilling its oversight responsibilities related to the assessment and management of risk and capital. Our Capital Policy is reviewed and approved annually by the Board's RC.

### **Global Systemically Important Bank**

We have been identified by the Financial Stability Board and the Basel Committee on Banking Supervision as a G-SIB. Our designation as a G-SIB is based on a number of factors, as evaluated by banking regulators, and requires us to maintain an additional capital surcharge above the minimum capital ratios set forth in the Basel III rule.

We and our depository institution subsidiaries are subject to the current Basel III minimum risk-based capital and leverage ratio guidelines.

Additional information about G-SIBs is provided under "Regulatory Capital Adequacy and Liquidity Standards" in "Supervision and Regulation" in Business in this Form 10-K.

### **Regulatory Capital**

We and State Street Bank, as advanced approaches banking organizations, are subject to the U.S. Basel III framework. Provisions of the Basel III rule became effective with full implementation on January 1, 2019. We are also subject to the final market risk capital rule issued by U.S. banking regulators effective as of January 2013.

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The Basel III rule provides for two frameworks for monitoring capital adequacy: the "standardized" approach and the "advanced" approaches, applicable to advanced approaches banking organizations, like us. The standardized approach prescribes standardized calculations for credit risk RWA, including specified risk weights for certain on- and off-balance sheet exposures.

The advanced approaches consist of the Advanced Internal Ratings-Based Approach used for the calculation of RWA related to credit risk, and the Advanced Measurement Approach used for the calculation of RWA related to operational risk.

The market risk capital rule requires us to use internal models to calculate daily measures of VaR, which reflect general market risk for certain of our trading positions defined by the rule as "covered positions," as well as stressed-VaR measures to supplement the VaR measures. The rule also requires a public disclosure composed of qualitative and quantitative information about the market risk associated with our trading activities and our related VaR and stressed-VaR measures. The qualitative and quantitative information required by the rule is provided under "Market Risk" included in this Management's Discussion and Analysis.

As required by the Dodd-Frank Act enacted in 2010, and the Stress Capital Buffer (SCB) rule enacted in 2020, we and State Street Bank, as advanced approaches banking organizations, are subject to a "capital floor," also referred to as the Collins Amendment, in the assessment of our regulatory capital adequacy, including the capital conservation buffer (CCB) and the SCB, for the advanced approach and standardized approach, respectively, and a countercyclical capital buffer. The countercyclical buffer is currently set to zero by the U.S. federal banking agencies. In addition, we are

subject to a G-SIB surcharge. Our risk-based capital ratios for regulatory assessment purposes are the lower of each ratio calculated under the standardized approach and the advanced approaches.

The SCB replaced, under the standardized approach, the capital conservation buffer with a buffer calculated as the difference between the institution's starting and lowest projected CET1 ratio under the CCAR severely adverse scenario plus planned common stock dividend payments (as a percentage of RWA) from the fourth through seventh quarter of the CCAR planning horizon. The SCB requirement, which became effective October 1, 2020, can be no less than 2.5% of RWA. Breaching the SCB or other regulatory buffer or surcharge will limit a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers. The countercyclical capital buffer is currently set at zero by U.S. banking regulators.

Our minimum risk-based capital ratios as of January 1, 2021 include a CCB of 2.5% and a SCB of 2.5% for the advanced approaches and standardized approach, respectively, a G-SIB surcharge of 1.0%, and a countercyclical buffer of 0.0%. This results in minimum risk-based ratios of 8.0% for the Common Equity Tier 1 (CET1) capital ratio, 9.5% for the tier 1 capital ratio, and 11.5% for the total capital ratio.

Based on a calculation date of December 31, 2019, our current G-SIB surcharge, through December 31, 2022, is 1.0%. Based on a calculation date of December 31, 2020, our G-SIB surcharge beginning January 1, 2023 could have been 1.5%. However, in May 2021, the Federal Reserve granted our request for relief relating to the effects of the MMLF program on the calculation of our G-SIB surcharge. As a result of this relief, our G-SIB surcharge for 2023 will remain at 1.0%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

The following table presents the regulatory capital structure and related regulatory capital ratios for us and State Street Bank as of the dates indicated. We are subject to the more stringent of the risk-based capital ratios calculated under the standardized approach and those calculated under the advanced approaches in the assessment of our capital adequacy under applicable bank regulatory standards.

**TABLE 41: REGULATORY CAPITAL STRUCTURE AND RELATED REGULATORY CAPITAL RATIOS**

(Dollars in millions)	State Street Corporation				State Street Bank			
	Basel III Advanced Approaches December 31, 2021	Basel III Standardized Approach December 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2020	Basel III Advanced Approaches December 31, 2021	Basel III Standardized Approach December 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2020
<b>Common shareholders' equity:</b>								
Common stock and related surplus	\$ 11,291	\$ 11,291	\$ 10,709	\$ 10,709	\$ 13,047	\$ 13,047	\$ 12,893	\$ 12,893
Retained earnings	25,238	25,238	23,442	23,442	15,700	15,700	12,939	12,939
Accumulated other comprehensive income (loss)	(1,133)	(1,133)	187	187	(926)	(926)	371	371
Treasury stock, at cost	(10,009)	(10,009)	(10,609)	(10,609)	—	—	—	—
<b>Total</b>	<b>25,387</b>	<b>25,387</b>	<b>23,729</b>	<b>23,729</b>	<b>27,821</b>	<b>27,821</b>	<b>26,203</b>	<b>26,203</b>
<b>Regulatory capital adjustments:</b>								
Goodwill and other intangible assets, net of associated deferred tax liabilities	(8,935)	(8,935)	(9,019)	(9,019)	(8,667)	(8,667)	(8,745)	(8,745)
Other adjustments <sup>(1)</sup>	(505)	(505)	(333)	(333)	(309)	(309)	(152)	(152)
<b>Common equity tier 1 capital</b>	<b>15,947</b>	<b>15,947</b>	<b>14,377</b>	<b>14,377</b>	<b>18,845</b>	<b>18,845</b>	<b>17,306</b>	<b>17,306</b>
Preferred stock	1,976	1,976	2,471	2,471	—	—	—	—
<b>Tier 1 capital</b>	<b>17,923</b>	<b>17,923</b>	<b>16,848</b>	<b>16,848</b>	<b>18,845</b>	<b>18,845</b>	<b>17,306</b>	<b>17,306</b>
Qualifying subordinated long-term debt	1,588	1,588	961	961	752	752	966	966
Allowance for credit losses	—	108	1	148	—	108	10	148
<b>Total capital</b>	<b>\$ 19,511</b>	<b>\$ 19,619</b>	<b>\$ 17,810</b>	<b>\$ 17,957</b>	<b>\$ 19,597</b>	<b>\$ 19,705</b>	<b>\$ 18,282</b>	<b>\$ 18,420</b>
<b>Risk-weighted assets:</b>								
Credit risk <sup>(2)</sup>	\$ 63,735	\$ 109,554	\$ 63,367	\$ 114,892	\$ 57,405	\$ 106,405	\$ 58,960	\$ 110,797
Operational risk <sup>(3)</sup>	45,550	NA	44,150	NA	42,813	NA	43,663	NA
Market risk	2,113	2,113	2,188	2,188	2,113	2,113	2,188	2,188
<b>Total risk-weighted assets</b>	<b>\$ 111,398</b>	<b>\$ 111,667</b>	<b>\$ 109,705</b>	<b>\$ 117,080</b>	<b>\$ 102,331</b>	<b>\$ 108,518</b>	<b>\$ 104,811</b>	<b>\$ 112,985</b>
<b>Adjusted quarterly average assets</b>	<b>\$ 293,567</b>	<b>\$ 293,567</b>	<b>\$ 263,490</b>	<b>\$ 263,490</b>	<b>\$ 290,403</b>	<b>\$ 290,403</b>	<b>\$ 260,489</b>	<b>\$ 260,489</b>
<b>Capital Ratios:</b>	2021 Minimum Requirements Including Capital Conservation Buffer and G-SIB Surcharge <sup>(4)</sup>	2020 Minimum Requirements Including Capital Conservation Buffer and G-SIB Surcharge <sup>(4)</sup>						
Common equity tier 1 capital	8.0 %	8.0 %	14.3 %	14.3 %	13.1 %	12.3 %	18.4 %	17.4 %
Tier 1 capital	9.5	9.5	16.1	16.1	15.4	14.4	18.4	17.4
Total capital	11.5	11.5	17.5	17.6	16.2	15.3	19.2	18.2

<sup>(1)</sup> Other adjustments within CET1 capital primarily include the overfunded portion of our defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, and other required credit risk based deductions.

<sup>(2)</sup> Under the advanced approaches, credit risk RWA includes a CVA which reflects the risk of potential fair value adjustments for credit risk reflected in our valuation of over-the-counter (OTC) derivative contracts. We used a simple CVA approach in conformity with the Basel III advanced approaches.

<sup>(3)</sup> Under the current advanced approaches rules and regulatory guidance concerning operational risk models, RWA attributable to operational risk can vary substantially from period-to-period, without direct correlation to the effects of a particular loss event on our results of operations and financial condition and impacting dates and periods that may differ from the dates and periods as of and during which the loss event is reflected in our financial statements, with the timing and categorization dependent on the processes for model updates and, if applicable, model revalidation and regulatory review and related supervisory processes. An individual loss event can have a significant effect on the output of our operational RWA under the advanced approaches depending on the severity of the loss event and its categorization among the seven Basel-defined UOMs.

<sup>(4)</sup> Minimum requirements include a CCB of 2.5% and a SCB of 2.5% for the advanced approaches and the standardized approach, respectively, a G-SIB surcharge of 1.0% and a countercyclical buffer of 0%.

NA Not applicable

Our CET1 capital increased \$1.57 billion as of December 31, 2021 compared to December 31, 2020, primarily driven by net income and the issuance of common stock, partially offset by accumulated other comprehensive income and dividend distributions in the year ended December 31, 2021.

Our Tier 1 capital increased \$1.08 billion as of December 31, 2021 compared to December 31, 2020 under both the advanced approaches and standardized approach due to the increase in CET1 capital, partially offset by the partial redemption of the Series F preferred stock.

Our Tier 2 capital increased under the advanced approaches and standardized approach, as of December 31, 2021 compared to December 31, 2020, by \$0.63 billion and \$0.59 billion, respectively, mainly driven by the issuance of our Tier 2 qualifying debt.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Total capital increased under the advanced approaches and standardized approach, as of December 31, 2021 compared to December 31, 2020, by \$1.70 billion and \$1.66 billion, respectively, mainly driven by the increase in our Tier 1 capital and Tier 2 capital.

The table below presents a roll-forward of CET1 capital, Tier 1 capital and total capital for the years ended December 31, 2021 and 2020.

**TABLE 42: CAPITAL ROLL-FORWARD**

(In millions)	Basel III Advanced Approaches December 31, 2021	Basel III Standardized Approach December, 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2020
<b>Common equity tier 1 capital:</b>				
Common equity tier 1 capital balance, beginning of period				
Net income	\$ 14,377	\$ 14,377	\$ 12,213	\$ 12,213
Changes in treasury stock, at cost	2,693	2,693	2,420	2,420
Dividends declared	600	600	(400)	(400)
Goodwill and other intangible assets, net of associated deferred tax liabilities	(897)	(897)	(886)	(886)
Effect of certain items in accumulated other comprehensive income (loss)	84	84	93	93
Other adjustments	(1,320)	(1,320)	1,057	1,057
	410	410	(120)	(120)
Changes in common equity tier 1 capital	1,570	1,570	2,164	2,164
Common equity tier 1 capital balance, end of period	<u>15,947</u>	<u>15,947</u>	<u>14,377</u>	<u>14,377</u>
<b>Additional tier 1 capital:</b>				
Tier 1 capital balance, beginning of period	16,848	16,848	15,175	15,175
Changes in common equity tier 1 capital	1,570	1,570	2,164	2,164
Net issuance (redemption) of preferred stock	(495)	(495)	(491)	(491)
Changes in tier 1 capital	1,075	1,075	1,673	1,673
Tier 1 capital balance, end of period	<u>17,923</u>	<u>17,923</u>	<u>16,848</u>	<u>16,848</u>
<b>Tier 2 capital:</b>				
Tier 2 capital balance, beginning of period	962	1,109	1,100	1,185
Net issuance and changes in long-term debt qualifying as tier 2	627	627	(134)	(134)
Changes in allowance for credit losses	(1)	(40)	(4)	58
Changes in tier 2 capital	626	587	(138)	(76)
Tier 2 capital balance, end of period	<u>1,588</u>	<u>1,696</u>	<u>962</u>	<u>1,109</u>
<b>Total capital:</b>				
Total capital balance, beginning of period	17,810	17,957	16,275	16,360
Changes in tier 1 capital	1,075	1,075	1,673	1,673
Changes in tier 2 capital	626	587	(138)	(76)
Total capital balance, end of period	<u>\$ 19,511</u>	<u>\$ 19,619</u>	<u>\$ 17,810</u>	<u>\$ 17,957</u>

The following table presents a roll-forward of the Basel III advanced approaches and standardized approach RWA for the years ended December 31, 2021 and 2020.

**TABLE 43: ADVANCED & STANDARDIZED APPROACHES RISK-WEIGHTED ASSETS ROLL-FORWARD**

(In millions)	Basel III Advanced Approaches December 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2021	Basel III Standardized Approach December 31, 2020
Total risk-weighted assets, beginning of period				
\$ 109,705				
Changes in credit risk-weighted assets:				
Net increase (decrease) in investment securities-wholesale	(476)	3,008	(707)	1,762
Net increase in loans	2,017	2,973	946	3,638
Net increase (decrease) in securitization exposures	(404)	578	(489)	351
Net increase (decrease) in repo-style transaction exposures	(440)	1,763	(1,658)	3,895
Net increase (decrease) in over-the-counter derivatives exposures <sup>(1)</sup>	(1,353)	780	(863)	457
Net increase (decrease) in all other <sup>(2)</sup>	1,024	(498)	(2,567)	2,422
Net increase (decrease) in credit risk-weighted assets	368	8,604	(5,338)	12,525
Net increase (decrease) in market risk-weighted assets	(75)	550	(75)	550
Net increase (decrease) in operational risk-weighted assets	1,400	(3,813)	N/A	N/A
Total risk-weighted assets, end of period	<u>\$ 111,398</u>	<u>\$ 109,705</u>	<u>\$ 111,667</u>	<u>\$ 117,080</u>

<sup>(1)</sup> Under the advanced approaches, includes CVA RWA.

<sup>(2)</sup> Includes assets not in a definable category, non-material portfolio, cleared transactions, other wholesale, cash and due from banks, interest-bearing deposits with banks and equity exposures.

N/A Not applicable.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of December 31, 2021, total advanced approaches RWA increased \$1.69 billion compared to December 31, 2020, primarily due to an increase in operational risk RWA and credit risk RWA. The increase in operational risk RWA was primarily due to an increase in the frequency of certain operational loss events. The increase in credit risk RWA was primarily driven by an increase in loans RWA, partially offset by a decrease in over-the-counter derivatives RWA.

As of December 31, 2021, total standardized approach RWA decreased \$5.41 billion compared to December 31, 2020, primarily due to lower credit risk RWA. The decrease in credit risk RWA was primarily driven by a decrease in all other RWA, repo-style transactions RWA, and over-the-counter derivatives RWA, partially offset by an increase in loans RWA.

The regulatory capital ratios as of December 31, 2021, presented in Table 41: Regulatory Capital Structure and Related Regulatory Capital Ratios, are calculated under the advanced approaches and standardized approach in conformity with the Basel III final rule. The advanced approaches based ratios reflect calculations and determinations with respect to our capital and related matters as of December 31, 2021, based on our and external data, quantitative formulae, statistical models, historical correlations and assumptions, collectively referred to as "advanced systems," in effect and used by us for those purposes as of the time we first reported such ratios in a quarterly report on Form 10-Q or an annual report on Form 10-K. Significant components of these advanced systems involve the exercise of judgment by us and our regulators, and our advanced systems may not, individually or collectively, precisely represent or calculate the scenarios, circumstances, outputs or other results for which they are designed or intended.

Our advanced systems are subject to update and periodic revalidation in response to changes in our business activities and our historical experiences, forces and events experienced by the market broadly or by individual financial institutions, changes in regulations and regulatory interpretations and other factors, and are also subject to continuing regulatory review and approval. For example, a significant operational loss experienced by another financial institution, even if we do not experience a related loss, could result in a material change in the output of our advanced systems and a corresponding material change in our risk exposures, our total RWA, and our capital ratios compared to prior periods. An operational loss that we experience could also result in a material change in our capital requirements for operational risk under the advanced approaches, depending on the severity of the loss event, its characterization among the seven Basel-defined

UOM, and the stability of the distributional approach for a particular UOM, and without direct correlation to the effects of the loss event, or the timing of such effects, on our results of operations.

Due to the influence of changes in these advanced systems, whether resulting from changes in data inputs, regulation or regulatory supervision or interpretation, specific to us or market activities or experiences or other updates or factors, we expect that our advanced systems and our capital ratios calculated in conformity with the Basel III final rule will change and may be volatile over time, and that those latter changes or volatility could be material as calculated and measured from period to period. We and State Street Bank are subject to further regulatory guidance, action, and rule-making.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## **Tier 1 and Supplementary Leverage Ratios**

We are subject to a minimum Tier 1 leverage ratio and a supplementary leverage ratio. The Tier 1 leverage ratio is based on Tier 1 capital and adjusted quarterly average on-balance sheet assets. The Tier 1 leverage ratio differs from the SLR primarily in that the denominator of the Tier 1 leverage ratio is a quarterly average of on-balance sheet assets, while the SLR includes both on-balance sheet and certain off-balance sheet exposures. We must maintain a minimum Tier 1 leverage ratio of 4%.

We are also subject to a minimum SLR of 3%, and as a U.S. G-SIB, we must maintain an additional 2% SLR buffer in order to avoid any limitations on distributions to shareholders and discretionary bonus payments to certain executives. If we do not maintain this buffer, limitations on these distributions and discretionary bonus payments would be increasingly stringent based upon the extent of the shortfall.

**TABLE 44: TIER 1 AND SUPPLEMENTARY LEVERAGE RATIOS**

(Dollars in millions)	December 31, 2021	December 31, 2020
<b>State Street:</b>		
Tier 1 capital	\$ 17,923	\$ 16,848
Average assets	303,007	277,055
Less: adjustments for deductions from tier 1 capital and other	(9,440)	(13,565)
Adjusted average assets for Tier 1 leverage ratio	293,567	263,490
Derivatives and repo-style transactions and off-balance sheet exposures	32,985	34,379
Adjustments for deductions of qualifying central bank deposits	(84,113)	(90,322)
Total assets for SLR	\$ 242,439	\$ 207,547
Tier 1 leverage ratio <sup>(1)</sup>	6.1 %	6.4 %
Supplementary leverage ratio	7.4	8.1
<b>State Street Bank<sup>(2)</sup>:</b>		
Tier 1 capital	\$ 18,845	\$ 17,306
Average assets	299,379	273,599
Less: adjustments for deductions from tier 1 capital and other	(8,976)	(13,110)
Adjusted average assets for Tier 1 leverage ratio	290,403	260,489
Off-balance sheet exposures	32,985	38,591
Adjustments for deductions of qualifying central bank deposits	(84,113)	(80,935)
Total assets for SLR	\$ 239,275	\$ 218,145
Tier 1 leverage ratio <sup>(1)</sup>	6.5 %	6.6 %
Supplementary leverage ratio	7.9	7.9

<sup>(1)</sup> Tier 1 leverage ratios were calculated in conformity with the Basel III final rule.

<sup>(2)</sup> The SLR rule requires that, as of January 1, 2018, (i) State Street Bank maintains an SLR of at least 6.0% to be well capitalized under the U.S. banking regulators' Prompt Corrective Action Framework and (ii) we maintain an SLR of at least 5.0% to avoid limitations on capital distributions and discretionary bonus payments. In addition to the SLR, State Street Bank is subject to a well capitalized Tier 1 leverage ratio requirement of 5.0%.

## **Total Loss-Absorbing Capacity (TLAC)**

The Federal Reserve's final rule on TLAC, LTD, and clean holding company requirements for U.S. domiciled G-SIBs, such as us, is intended to improve the resiliency and resolvability of certain U.S. banking organizations through enhanced prudential standards, and requires us, among other things, to comply with minimum requirements for external TLAC and LTD. Specifically, we must hold:

**Amount equal to:**

<b>Combined eligible tier 1 regulatory capital and LTD</b>	<b>Greater of:</b> <ul style="list-style-type: none"> <li>21.5% of total RWA (18.0% minimum plus 2.5% plus a G-SIB surcharge calculated for these purposes under Method 1 of 1.0% plus any applicable counter-cyclical buffer, which is currently 0%); and</li> <li>9.5% of total leverage exposure (7.5% minimum plus the SLR buffer of 2.0%), as defined by the SLR final rule.</li> </ul>
<b>Qualifying external LTD</b>	<b>Greater of:</b> <ul style="list-style-type: none"> <li>7.0% of RWA (6.0% minimum plus a G-SIB surcharge calculated for these purposes under method 2 of 1.0%); and</li> <li>4.5% of total leverage exposure, as defined by the SLR final rule.</li> </ul>

As of April 1, 2020, the TLAC and LTD requirements calibrated to the SLR denominator to reflect the deduction of certain central bank balances as prescribed by the regulatory relief implemented under the EGRRCPA.

The following table presents external LTD and external TLAC as of December 31, 2021.

**TABLE 45: TOTAL LOSS-ABSORBING CAPACITY**

(Dollars in millions)	As of December 31, 2021			
	Actual	Requirement		
<b>Total loss-absorbing capacity (eligible Tier 1 regulatory capacity and long-term debt):</b>				
Risk-weighted assets	\$ 31,231	28.0 %	\$ 24,008	21.5 %
Supplementary leverage exposure	31,231	12.9	23,032	9.5
<b>Long-term debt:</b>				
Risk-weighted assets	13,308	11.9	7,817	7.0
Supplementary leverage exposure	13,308	5.5	10,910	4.5

Additional information about TLAC is provided under "Total Loss-Absorbing Capacity" in "Supervision and Regulation" in Business in this Form 10-K.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Regulatory Developments**

In April 2018, the Federal Reserve issued a proposed rule which would replace the current 2.0% SLR buffer for G-SIBs, with a buffer equal to 50% of their G-SIB surcharge. This proposal would also make conforming modifications to our TLAC and eligible LTD requirements applicable to G-SIBs. At this point in time, it is unclear whether this proposal will be implemented as proposed.

In November 2019, the Federal Reserve and other U.S. federal banking agencies issued a final rule that, among other things, implements the SA-CCR, a new methodology for calculating the exposure amount for derivative contracts. Under the final rule, which became effective on January 1, 2022, we will have the option to use the SA-CCR or the IMM to measure the exposure amount of our cleared and uncleared derivative transactions under our advanced approaches calculation. We will be required to determine the amount of these exposures using the SA-CCR under our standardized approach capital calculation. Additionally, we will have to apply a revised formula to determine the RWA amount of our central counterparty default fund contributions. Applying the SA-CCR to our derivative exposures as of December 31, 2021, in place of then-applicable Current Exposure Method (CEM), under the standardized approach, with all else equal, would on a pro-forma basis increase our total RWA as of that date by approximately 10%. As part of a plan to partially offset these SA-CCR RWA impacts, various business actions have been identified for optimization and completion in the first half of 2022.

On March 4, 2020, the U.S. federal banking agencies issued the SCB final rule that replaces, under the standardized approach, the capital conservation buffer (2.5%) with a SCB calculated as the difference between an institution's starting and lowest projected CET1 ratio under the CCAR severely adverse scenario plus planned common stock dividend payments (as a percentage of RWA) from the fourth through seventh quarter of the CCAR planning horizon. Based on our results from the 2021 supervisory stress test, our SCB for the period of October 1, 2021 through September 2022 is set at the minimum of 2.5% of RWA.

The Federal Reserve and other U.S. federal banking agencies issued an interim final rule effective in March 2020 and later finalized on a permanent basis on August 26, 2020, which revised the definition of eligible retained income for all U.S. banking organizations. The revised definition of eligible retained income makes any automatic limitations on capital distributions, where a banking organization's regulatory ratios were to decline below the respective minimum requirements, take effect on a more gradual basis.

Following the launch of the MMLF program, which we participated in, the Federal Reserve issued an interim final rule on March 19, 2020 (followed by a final rule on September 29, 2020), allowing Bank Holding Companies (BHCs) to exclude assets purchased with the MMLF program from their RWA, total leverage exposure and average total consolidated assets. No new credit extensions were made after March 31, 2021, as the program had expired.

On March 27, 2020, the BCBS announced the deferral of the implementation of the revisions to the Basel III framework to January 1, 2023. As of now, the U.S. federal banking agencies have not formally proposed the implementation of the BCBS revisions.

Effective April 1, 2020, the Federal Reserve and other U.S. federal banking agencies adopted a final rule as part of EGRRCPA that establishes a deduction for qualifying central bank deposits from a custodial banking organization's total leverage exposure equal to the lesser of (i) the total amount of funds the custodial banking organization and its consolidated subsidiaries have on deposit at qualifying central banks and (ii) the total amount of client funds on deposit at the custodial banking organization that are linked to fiduciary or custodial and safekeeping accounts. For the quarter ended December 31, 2021, we deducted \$84.1 billion of average balances held on deposit at central banks from the denominator used in the calculation of our SLR, based on this custodial banking deduction.

On October 20, 2020, the Federal Reserve and other U.S. federal banking agencies issued a final rule that requires us and State Street Bank to make certain deductions from regulatory capital for investments in certain unsecured debt instruments, including eligible LTD under the TLAC rule, issued by the Parent Company and other U.S. and foreign G-SIBs. The final rule became effective on April 1, 2021.

In light of the decision to administer a new stress test, the Federal Reserve limited the ability of all CCAR banking organizations to make capital distributions in the third and fourth quarters of 2020, although banking organizations were permitted to pay common stock dividends at previous levels provided such distributions did not exceed an amount determined by a formula based on the banking organization's recent income. As a result, CCAR banking organizations, including us, were not permitted to return capital to shareholders in the form of common share repurchases during the third quarter and fourth quarter of 2020.

On August 10, 2020, the Federal Reserve confirmed that our SCB was 2.5% for the period starting on October 1, 2020 and ending on September 30, 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On December 18, 2020, following the release of a second round of stress test results for 2020, the Federal Reserve modified the restrictions on capital distributions for the first quarter of 2021. Common stock dividends and share repurchases in the first quarter of 2021 were limited to the average of our net income for the four preceding quarters plus a number of shares equal to the share issuances in the quarter related to expensed employee compensation, provided that we did not increase the amount of our common stock dividends to be larger than the level paid in the second quarter of 2020. On March 25, 2021, the Federal Reserve extended these restrictions through the second quarter of 2021.

On June 24, 2021, we were notified by the Federal Reserve of the results from the 2021 supervisory stress test. Our SCB calculated under this supervisory stress test was well below the 2.5% minimum, resulting in an SCB at that floor, which was effective starting October 1, 2021 and will run through September 30, 2022. The Federal Reserve also lifted the restrictions on capital distributions implemented in response to the COVID-19 pandemic and we are currently governed in our capital distributions by minimum capital requirements inclusive of the SCB.

For additional information about regulatory developments, refer to the "Regulatory Capital Adequacy and Liquidity Standards" section of "Supervision and Regulation" in Business in this Form 10-K.

### **Capital Actions**

#### *Preferred Stock*

The following table summarizes selected terms of each of the series of the preferred stock issued and outstanding as of December 31, 2021:

**TABLE 46: PREFERRED STOCK ISSUED AND OUTSTANDING**

Preferred Stock <sup>(1)</sup> :	Issuance Date	Depository Shares Issued	Amount outstanding (in millions)	Ownership Interest Per Depository Share	Liquidation Preference Per Share	Liquidation Preference Per Depository Share	Per Annum Dividend Rate	Dividend Payment Frequency	Carrying Value as of December 31, 2021 (In millions)	Redemption Date <sup>(2)</sup>
Series D	February 2014	30,000,000	\$ 750	1/4,000th	\$ 100,000	\$ 25	5.90% to but excluding March 15, 2024, then a floating rate equal to the three-month LIBOR plus 3.108%	Quarterly: March, June, September and December	\$ 742	March 15, 2024
Series F <sup>(3)</sup>	May 2015	250,000	250	1/100th	100,000	1,000	5.25% to but excluding September 15, 2020, then a floating rate equal to the three-month LIBOR plus 3.597%, or 3.7998% effective December 15, 2021	Quarterly: March, June, September and December	247	September 15, 2020
Series G	April 2016	20,000,000	500	1/4,000th	100,000	25	5.35% to but excluding March 15, 2026, then a floating rate equal to the three-month LIBOR plus 3.709%	Quarterly: March, June, September and December	493	March 15, 2026
Series H	September 2018	500,000	500	1/100th	100,000	1,000	5.625% to but excluding December 15, 2023, then a floating rate equal to the three-month LIBOR plus 2.539%	Semi-annually: June and December	494	December 15, 2023

<sup>(1)</sup> The preferred stock and corresponding depositary shares may be redeemed at our option in whole, but not in part, prior to the redemption date upon the occurrence of a regulatory capital treatment event, as defined in the certificate of designation, at a redemption price equal to the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

<sup>(2)</sup> On the redemption date, or any dividend payment date thereafter, the preferred stock and corresponding depositary shares may be redeemed by us, in whole or in part, at the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

<sup>(3)</sup> Series F preferred stock is redeemable on September 15, 2020 and on each succeeding dividend payment date.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

On March 15, 2021, we redeemed an aggregate of \$500 million, or 5,000 of the 7,500 outstanding shares of our non-cumulative perpetual preferred stock, Series F, for cash at a redemption price of \$100,000 per share (equivalent to \$1,000 per depositary share) plus all declared and unpaid dividends.

The following table presents the dividends declared for each of the series of preferred stock issued and outstanding for the periods indicated:

**TABLE 47: PREFERRED STOCK DIVIDENDS**

(Dollars in millions, except per share amounts)	Years Ended December 31,					
	2021			2020		
	Dividends Declared per Share	Dividends Declared per Depositary Share	Total	Dividends Declared per Share	Dividends Declared per Depositary Share	Total
<b>Preferred Stock:</b>						
Series C	\$ —	\$ —	—	\$ 1,313	\$ 0.33	\$ 6
Series D	5,900	1.48	44	5,900	1.48	44
Series F	3,808	38.08	15	6,223	62.23	47
Series G	5,352	1.32	27	5,352	1.32	27
Series H	5,625	56.25	28	5,625	56.25	28
Total			<u><u>\$ 114</u></u>			<u><u>\$ 152</u></u>
<b>Common Stock</b>						

In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion. We expect to use these net proceeds to finance our planned acquisition of the BBH Investor Services business.

In June 2019, the Federal Reserve issued a non-objection to our capital plan submitted as part of the 2019 CCAR submission; and in connection with that capital plan, our Board approved a common share repurchase program authorizing the repurchase of up to \$2.0 billion of our common stock from July 1, 2019 through June 30, 2020 (the 2019 Program). We repurchased \$500 million of our common stock in each of the third and fourth quarters of 2019 and the first quarter of 2020 under the 2019 Program.

On March 16, 2020, we, along with the other U.S. G-SIBs, suspended common share repurchases and maintained this suspension through the fourth quarter of 2020 in response to the COVID-19 pandemic. This suspension was consistent with limitations imposed by the Federal Reserve beginning in the second quarter of 2020. As a result, we had no repurchases of our common stock in the second, third or fourth quarters of 2020. In December 2020, the Federal Reserve issued results of 2020 resubmission stress tests and authorized us to continue to pay common stock dividends at current levels and to resume repurchasing common shares in the first quarter of 2021. In January 2021, our Board authorized a common share repurchase program for the repurchase of up to \$475 million of our common stock through March 31, 2021. We repurchased \$475 million of our common stock in the first quarter of 2021. In April 2021, our Board authorized a common share repurchase program for the repurchase of up to \$425 million of our common stock through June 30, 2021, in compliance with the limit set by the Federal Reserve. We repurchased \$425 million of our common stock in the second quarter of 2021. In July 2021, our Board authorized a share repurchase program for the repurchase of up to \$3.0 billion of our common stock through the end of 2022.

In connection with our planned acquisition of the BBH Investor Services business, we did not repurchase any common stock during the third and fourth quarters of 2021 under the common share repurchase plan approved by our Board in July 2021, and we do not intend to repurchase any common stock during the first quarter of 2022. We intend to resume our common share repurchases during the second quarter of 2022.

The table below presents the activity under our common share repurchase program for the period indicated:

**TABLE 48: SHARES REPURCHASED**

	Year Ended December 31, 2021		
	Shares Acquired (In millions)	Average Cost per Share	Total Acquired (In millions)
	11.2	\$ 80.00	\$ 900
Year Ended December 31, 2020			
	Shares Acquired (In millions)	Average Cost per Share	Total Acquired (In millions)
2019 Program	6.5	\$ 77.35	\$ 500

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The table below presents the dividends declared on common stock for the periods indicated:

**TABLE 49: COMMON STOCK DIVIDENDS**

	Years Ended December 31,			
	2021		2020	
	Dividends Declared per Share	Total (In millions)	Dividends Declared per Share	Total (In millions)
Common Stock	\$ 2.18	\$ 779	\$ 2.08	\$ 734

Federal and state banking regulations place certain restrictions on dividends paid by subsidiary banks to the parent holding company. In addition, banking regulators have the authority to prohibit bank holding companies from paying dividends. For information concerning limitations on dividends from our subsidiary banks, refer to "Related Stockholder Matters" included under Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, and to Note 15 to the consolidated financial statements in this Form 10-K. Our common stock and preferred stock dividends, including the declaration, timing and amount thereof, are subject to consideration and approval by the Board at the relevant times.

Stock purchases may be made using various types of transactions, including open market purchases, accelerated share repurchases or other transactions off the market, and may be made under Rule 10b5-1 trading programs. The timing and amount of any stock purchases and the type of transaction will depend on several factors, including investment opportunities, our capital position, our financial performance, market conditions and the amount of common stock issued as part of employee compensation programs. The common share repurchase program does not have specific price targets and may be suspended at any time.

### OFF-BALANCE SHEET ARRANGEMENTS

On behalf of clients enrolled in our securities lending program, we lend securities to banks, broker/dealers and other institutions. In most circumstances, we indemnify our clients for the fair market value of those securities against a failure of the borrower to return such securities. Though these transactions are collateralized, the substantial volume of these activities necessitates detailed credit-based underwriting and monitoring processes. The aggregate amount of indemnified securities on loan totaled \$385.74 billion and \$440.88 billion as of December 31, 2021 and December 31, 2020, respectively. We require the borrower to provide collateral in an amount in excess of 100% of the fair market value of the securities borrowed. We hold the collateral received in connection with these securities lending services as agent, and the collateral is not

recorded in our consolidated statement of condition. We revalue the securities on loan and the collateral daily to determine if additional collateral is necessary or if excess collateral is required to be returned to the borrower. We held, as agent, cash and securities totaling \$404.12 billion and \$463.27 billion as collateral for indemnified securities on loan as of December 31, 2021 and December 31, 2020, respectively.

The cash collateral held by us as agent is invested on behalf of our clients. In certain cases, the cash collateral is invested in third-party repurchase agreements, for which we indemnify the client against loss of the principal invested. We require the counterparty to the indemnified repurchase agreement to provide collateral in an amount in excess of 100% of the amount of the repurchase agreement. In our role as agent, the indemnified repurchase agreements and the related collateral held by us are not recorded in our consolidated statement of condition. Of the collateral of \$404.12 billion and \$463.27 billion, referenced above, \$61.56 billion and \$54.43 billion was invested in indemnified repurchase agreements as of December 31, 2021 and December 31, 2020, respectively. We or our agents held \$67.01 billion and \$58.09 billion as collateral for indemnified investments in repurchase agreements as of December 31, 2021 and December 31, 2020, respectively.

Additional information about our securities finance activities and other off-balance sheet arrangements is provided in Notes 10, 12 and 14 to the consolidated financial statements in this Form 10-K.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **SIGNIFICANT ACCOUNTING ESTIMATES**

Our consolidated financial statements are prepared in conformity with U.S. GAAP, and we apply accounting policies that affect the determination of amounts reported in the consolidated financial statements. Additional information on our significant accounting policies, including references to applicable footnotes, is provided in Note 1 to the consolidated financial statements in this Form 10-K.

Certain of our accounting policies, by their nature, require management to make judgments, involving significant estimates and assumptions, about the effects of matters that are inherently uncertain. These estimates and assumptions are based on information available as of the date of the consolidated financial statements, and changes in this information over time could materially affect the amounts of assets, liabilities, equity, revenue and expenses reported in subsequent consolidated financial statements.

Based on the sensitivity of reported financial statement amounts to the underlying estimates and assumptions, the more significant accounting policies applied by us have been identified by management as those associated with recurring fair value measurements, allowance for credit losses, impairment of goodwill and other intangible assets, and contingencies. These accounting policies require the most subjective or complex judgments, and underlying estimates and assumptions could be most subject to revision as new information becomes available. An understanding of the judgments, estimates and assumptions underlying these accounting policies is essential in order to understand our reported consolidated results of operations and financial condition.

The following is a discussion of the above-mentioned significant accounting estimates. Management has discussed these significant accounting estimates with the E&A Committee of the Board.

#### ***Fair Value Measurements***

We carry certain of our financial assets and liabilities at fair value in our consolidated financial statements on a recurring basis, including trading account assets and liabilities, AFS debt securities, certain equity securities and various types of derivative financial instruments.

Changes in the fair value of these financial assets and liabilities are recorded either as components of our consolidated statement of income or as components of other comprehensive income within shareholders' equity in our consolidated statement of condition. In addition to those financial assets and liabilities that we carry at fair value in our consolidated financial statements on a recurring

basis, we estimate the fair values of other financial assets and liabilities that we carry at amortized cost in our consolidated statement of condition, and we disclose these fair value estimates in the notes to our consolidated financial statements. We estimate the fair values of these financial assets and liabilities using the definition of fair value described below. Additional information with respect to the assets and liabilities carried by us at fair value on a recurring basis is provided in Note 2 to the consolidated financial statements in this Form 10-K.

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. When we measure fair value for our financial assets and liabilities, we consider the principal or the most advantageous market in which we would transact; we also consider assumptions that market participants would use when pricing the asset or liability. When possible, we look to active and observable markets to measure the fair value of identical, or similar, financial assets and liabilities. When identical financial assets and liabilities are not traded in active markets, we look to market-observable data for similar assets and liabilities. In some instances, certain assets and liabilities are not actively traded in observable markets; as a result, we use alternate valuation techniques to measure their fair value.

We categorize the financial assets and liabilities that we carry at fair value in our consolidated statement of condition on a recurring basis based on U.S. GAAP's prescribed three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to valuation methods using significant unobservable inputs (level 3).

With respect to derivative instruments, we evaluate the fair value impact of the credit risk of our counterparties. We consider such factors as the market-based probability of default by our counterparties, and our current and expected potential future net exposures by remaining maturities, in determining the appropriate measurements of fair value.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### **Allowance for Credit Losses**

In January 2020, we adopted ASC 326, which replaces the incurred loss methodology with an expected loss methodology. We maintain an allowance for credit losses to support our on-balance sheet credit exposures, including financial assets held at amortized cost. We also maintain an allowance for unfunded commitments and letters of credit to support our off-balance credit exposure. The two components together represent the allowance for credit losses.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. In future periods, factors and forecasts then prevailing may result in significant changes in the allowance for credit losses in those future periods. We estimate credit losses over the contractual life of the financial asset while factoring in prepayment activity where supported by data over a three year reasonable and supportable forecast period. We utilize a baseline, upside and downside scenario which are applied based on a probability weighting, in order to better reflect management's expectation of expected credit losses given existing market conditions and the changes in the economic environment. The multiple scenarios are based on a three year horizon (or less depending on contractual maturity) and then revert linearly over a two year period to a ten-year historical average thereafter. The contractual term excludes expected extensions, renewals and modifications, but includes prepayment assumptions where applicable.

Our allowance for credit losses is sensitive to a number of inputs, including macroeconomic forecast assumptions and credit rating migrations during the period. Our macroeconomic forecasts used in determining the December 31, 2021 allowance for credit losses consisted of three scenarios. The baseline scenario reflects ongoing GDP growth and falling unemployment in 2022, generally in line with market expectations, and consistent with waning COVID transmission and improved supply chains. The upside scenario reflects a faster recovery in consumer spending and stronger productivity growth in 2022 relative to the baseline scenario. The downside scenario contemplates a double-dip recession due to resurgent COVID infections that results in negative GDP growth, rising unemployment, and deteriorating credit conditions in early 2022. We placed the most weight on our baseline scenario, with the remaining weighting split equally between the upside and downside scenarios.

Keeping all other factors constant, we estimate that if we had applied 100% weighting to the downside scenario, the allowance for credit losses as

of December 31, 2021 would have been approximately \$50 million higher. This estimate is intended to reflect the sensitivity of the allowance for credit losses to changes in our scenario weights and is not intended to be indicative of future changes in the allowance for credit losses.

Additional information about our allowance for credit losses is provided in Notes 3 and 4 to the consolidated financial statements in this Form 10-K.

### **Goodwill and Other Intangible Assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net tangible and other intangible assets acquired at the acquisition date. Other intangible assets represent purchased long-lived intangible assets, primarily client relationships, core deposit intangible assets and technology that can be distinguished from goodwill because of contractual rights or because the asset can be exchanged on its own or in combination with a related contract, asset or liability. Other intangible assets are initially measured at their acquisition date fair value, the determination of which requires management judgment. Goodwill is not amortized, while other intangible assets are amortized over their estimated useful lives.

Management reviews goodwill for impairment annually or more frequently if circumstances arise or events occur that indicate an impairment of the carrying amount may exist. We begin our review by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Events that may indicate impairment include: significant or adverse changes in the business, economic or political climate; an adverse action or assessment by a regulator; unanticipated competition; and a more-likely-than-not expectation that we will sell or otherwise dispose of a business to which the goodwill or other intangible assets relate. If we conclude from the qualitative assessment of goodwill impairment that it is more likely than not that a reporting unit's fair value is greater than its carrying amount, quantitative tests are not required. However, if we determine it is more likely than not that a reporting unit's fair value is less than its carrying amount, then we complete a quantitative assessment to determine if there is goodwill impairment. We may elect to bypass the qualitative assessment and complete a quantitative assessment in any given year.

In 2021, we assessed goodwill for impairment using a qualitative assessment. Based on our evaluation of the qualitative factors noted above, we determined that it was more likely than not that the fair value of each of the reporting units exceeded its

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

respective carrying amount. We determined there was no goodwill impairment in 2021.

Other intangible assets are supported by the future cash flows that are directly associated with and expected to arise as a direct result of the use of the intangible asset, less any costs associated with the intangible asset's eventual disposition. We evaluate other intangible assets for impairment at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows from other groups of assets using the following process. First, we routinely assess whether impairment indicators are present. When impairment indicators are identified as being present, we compare the estimated future net undiscounted cash flows of the intangible asset with its carrying value. If the future net undiscounted cash flows are greater than the carrying value, then there is no impairment, but if the intangible asset's net undiscounted cash flows are less than its carrying value, we are required to calculate impairment. An impairment is recognized by writing the intangible asset down to its fair value. We evaluate intangible assets for indicators of impairment on a quarterly basis. There were no impairments taken on other intangible assets in 2021.

Additional information about goodwill and other intangible assets, including information by line of business, is provided in Note 5 to the consolidated financial statements in this Form 10-K.

### ***Contingencies***

Information on significant estimates and judgments related with establishing litigation reserves is discussed in Note 13 of the consolidated financial statements in this Form 10-K.

### **RECENT ACCOUNTING DEVELOPMENTS**

Information with respect to recent accounting developments is provided in Note 1 to the consolidated financial statements in this Form 10-K.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information provided under "Market Risk Management" in "Financial Condition" in our Management's Discussion and Analysis in this Form 10-K, is incorporated by reference herein.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Additional information about restrictions on the transfer of funds from State Street Bank to the Parent Company is provided under "Related Stockholder Matters" in Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, and under "Capital" in "Financial Condition" in our Management's Discussion and Analysis in this Form 10-K.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of State Street Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of condition of State Street Corporation (the "Corporation") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Corporation's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

### **Servicing Fee Revenue**

#### *Description of the Matter*

Revenue recognized by the Corporation as servicing fees was \$5.5 billion for the year ended December 31, 2021. As disclosed in Notes 24 and 25 of the consolidated financial statements, servicing fee revenue involves revenue streams from various products which include custody, product accounting, daily pricing and administration, master trust and master custody, depotbank services (a fund oversight role created by non-US regulation), record-keeping, cash management, and investment manager and alternative investment manager operations outsourcing. The Corporation's servicing fee revenue involves a significant volume of contracts and transactions and is sourced from multiple systems and processes across different business teams and geographies.

Auditing servicing fee revenue was complex and involved significant audit effort due to the non-standard nature of the Corporation's contracts, the volume of contracts, the impact of contract renegotiations on accrued servicing fees, and the number of different processes used to recognize revenue.

#### *How We Addressed the Matter in Our Audit*

We identified and obtained an understanding of the processes used by the Corporation to recognize revenue transactions. We evaluated the design and tested the operating effectiveness of controls over the Corporation's processes for recognizing servicing fee revenue, including, among others, controls over the review of client contracts, the calculations of the key drivers of revenue (e.g., assets under custody) and the flow of this information from the business teams negotiating contract amendments to the department accruing revenue.

Among other procedures, to test servicing fee revenue, we selected a sample of client contracts and analyzed the contracts to determine whether terms that may have an impact on revenue recognition, including performance obligations and specified fees, were identified and properly considered in the evaluation of the accounting for the contracts. In addition, we reperformed the calculation of revenue for a sample of revenue transactions. We also agreed the amounts recognized to source documents and tested the mathematical accuracy of the recorded revenue. For a selection of clients, we inquired of the business teams involved in contract negotiations to assess the state of those negotiations and any effect on accrued servicing fees. We obtained third party confirmation of the client balance due for a sample of servicing fees receivable.

/s/ Ernst & Young LLP

We have served as the Corporation's auditor since 1972.

Boston, Massachusetts  
February 17, 2022

**STATE STREET CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**

(Dollars in millions, except per share amounts)	Years Ended December 31,		
	2021	2020	2019
<b>Fee revenue:</b>			
Servicing fees	\$ 5,549	\$ 5,167	\$ 5,074
Management fees	2,053	1,880	1,824
Foreign exchange trading services	1,211	1,363	1,058
Securities finance	416	356	471
Software and processing fees	783	733	720
Total fee revenue	10,012	9,499	9,147
<b>Net interest income:</b>			
Interest income	1,908	2,575	3,941
Interest expense	3	375	1,375
Net interest income	1,905	2,200	2,566
<b>Other income:</b>			
Gains (losses) from sales of available-for-sale securities, net	57	4	(1)
Other income	53	—	44
Total other income	110	4	43
<b>Total revenue</b>	<b>12,027</b>	<b>11,703</b>	<b>11,756</b>
Provision for credit losses	(33)	88	10
<b>Expenses:</b>			
Compensation and employee benefits	4,554	4,450	4,541
Information systems and communications	1,661	1,550	1,465
Transaction processing services	1,024	978	983
Occupancy	444	489	470
Acquisition and restructuring costs	65	50	77
Amortization of other intangible assets	245	234	236
Other	896	965	1,262
<b>Total expenses</b>	<b>8,889</b>	<b>8,716</b>	<b>9,034</b>
Income before income tax expense	3,171	2,899	2,712
Income tax expense	478	479	470
<b>Net income</b>	<b>\$ 2,693</b>	<b>\$ 2,420</b>	<b>\$ 2,242</b>
<b>Net income available to common shareholders</b>	<b>\$ 2,572</b>	<b>\$ 2,257</b>	<b>\$ 2,009</b>
<b>Earnings per common share:</b>			
Basic	\$ 7.30	\$ 6.40	\$ 5.43
Diluted	7.19	6.32	5.38
<b>Average common shares outstanding (in thousands):</b>			
Basic	352,565	352,865	369,911
Diluted	357,962	357,106	373,666
<b>Cash dividends declared per common share</b>	<b>\$ 2.18</b>	<b>\$ 2.08</b>	<b>\$ 1.98</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STATE STREET CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Net income</b>	\$ 2,693	\$ 2,420	\$ 2,242
<b>Other comprehensive income (loss), net of related taxes:</b>			
Foreign currency translation, net of related taxes of \$86, (\$40) and \$2, respectively	(413)	488	(9)
Net unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment and net of related taxes of (\$344), \$165 and \$212, respectively	(912)	436	545
Net unrealized gains on available-for-sale securities designated in fair value hedges, net of related taxes of \$6, \$1 and \$6, respectively	16	3	18
Non-credit impairment on held-to-maturity securities previously identified under ASC 320, net of related taxes of \$0, \$0 and \$1, respectively <sup>(1)</sup>	—	—	1
Net unrealized gains (losses) on cash flow hedges, net of related taxes of (\$24), \$46 and \$9, respectively	(59)	127	25
Net unrealized gains (losses) on retirement plans, net of related taxes of \$16, \$3 and \$(8), respectively	48	9	(16)
<b>Other comprehensive income (loss)</b>	<b>(1,320)</b>	<b>1,063</b>	<b>564</b>
<b>Total comprehensive income</b>	<b>\$ 1,373</b>	<b>\$ 3,483</b>	<b>\$ 2,806</b>

<sup>(1)</sup> We adopted ASC 326, on January 1, 2020. Non-credit impairment on HTM securities was previously recognized under ASC 320.

The accompanying notes are an integral part of these consolidated financial statements.

**STATE STREET CORPORATION**  
**CONSOLIDATED STATEMENT OF CONDITION**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>(Dollars in millions, except per share amounts)</b>		
<b>Assets:</b>		
Cash and due from banks	\$ 3,631	\$ 3,467
Interest-bearing deposits with banks	106,358	116,960
Securities purchased under resale agreements	3,012	3,106
Trading account assets	758	815
Investment securities available-for-sale (less allowance for credit losses of \$2 and \$0)	73,399	59,048
Investment securities held-to-maturity purchased under money market liquidity facility (less allowance for credit losses of \$0 and \$1) (fair value of \$0 and \$3,304)	—	3,299
Investment securities held-to-maturity (less allowance for credit losses of \$0 and \$2) (fair value of \$42,271 and \$50,003)	42,430	48,929
Loans (less allowance for credit losses on loans of \$87 and \$122)	32,445	27,803
Premises and equipment (net of accumulated depreciation of \$5,391 and \$4,825)	2,261	2,154
Accrued interest and fees receivable	3,278	3,105
Goodwill	7,621	7,683
Other intangible assets	1,816	1,827
Other assets	37,615	36,510
<b>Total assets</b>	<b>\$ 314,624</b>	<b>\$ 314,706</b>
<b>Liabilities:</b>		
Deposits:		
Non-interest-bearing	\$ 56,461	\$ 49,439
Interest-bearing - U.S.	102,985	102,331
Interest-bearing - non-U.S.	95,589	88,028
Total deposits	255,035	239,798
Securities sold under repurchase agreements	1,575	3,413
Short term borrowings under money market liquidity facility	—	3,302
Other short-term borrowings	128	685
Accrued expenses and other liabilities	17,048	27,503
Long-term debt	13,475	13,805
<b>Total liabilities</b>	287,261	288,506
Commitments, guarantees and contingencies (Notes 12 and 13)		
<b>Shareholders' equity:</b>		
Preferred stock, no par, 3,500,000 shares authorized:		
Series D, 7,500 shares issued and outstanding	742	742
Series F, 2,500 shares issued and outstanding	247	742
Series G, 5,000 shares issued and outstanding	493	493
Series H, 5,000 shares issued and outstanding	494	494
Common stock, \$1 par, 750,000,000 shares authorized:		
503,879,642 and 503,879,642 shares issued, and 365,982,820 and 353,156,279 shares outstanding	504	504
Surplus	10,787	10,205
Retained earnings	25,238	23,442
Accumulated other comprehensive income (loss)	(1,133)	187
Treasury stock, at cost (137,896,822 and 150,723,363 shares)	(10,009)	(10,609)
<b>Total shareholders' equity</b>	27,363	26,200
<b>Total liabilities and shareholders' equity</b>	<b>\$ 314,624</b>	<b>\$ 314,706</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STATE STREET CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Dollars in millions, except per share amounts, shares in thousands)	Common Stock				Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		
	Preferred Stock	Shares	Amount	Surplus			Shares	Amount	Total
<b>Balance at December 31, 2018</b>	\$ 3,690	503,880	\$ 504	\$ 10,061	\$ 20,553	\$ (1,356)	123,933	\$ (8,715)	\$ 24,737
Reclassification of certain tax effects <sup>(1)</sup>				84		(84)			—
Net income				2,242					2,242
Other comprehensive income						564			564
Preferred stock redeemed	(728)				(22)				(750)
Cash dividends declared:									
Common stock - 1.98 per share					(728)				(728)
Preferred stock					(210)				(210)
Common stock acquired							24,884	(1,600)	(1,600)
Common stock awards exercised		95					(2,295)	103	198
Other		(24)	(1)				(32)	3	(22)
<b>Balance at December 31, 2019</b>	<u>\$ 2,962</u>	<u>503,880</u>	<u>\$ 504</u>	<u>\$ 10,132</u>	<u>\$ 21,918</u>	<u>\$ (876)</u>	<u>146,490</u>	<u>\$ (10,209)</u>	<u>\$ 24,431</u>
Net income					2,420				2,420
Other comprehensive income						1,063			1,063
Preferred stock redeemed	(491)				(9)				(500)
Cash dividends declared:									
Common stock - \$2.08 per share					(734)				(734)
Preferred stock					(152)				(152)
Common stock acquired							6,464	(500)	(500)
Common stock awards exercised		72					(2,233)	100	172
Other		1	(1)				2	—	—
<b>Balance at December 31, 2020</b>	<u>\$ 2,471</u>	<u>503,880</u>	<u>\$ 504</u>	<u>\$ 10,205</u>	<u>\$ 23,442</u>	<u>\$ 187</u>	<u>150,723</u>	<u>\$ (10,609)</u>	<u>\$ 26,200</u>
Net income					2,693				2,693
Other comprehensive (loss)						(1,320)			(1,320)
Common stock issued				516				(21,724)	1,384
Preferred stock redeemed	(495)				(5)				(500)
Cash dividends declared:									
Common stock - \$2.18 per share					(779)				(779)
Preferred stock					(114)				(114)
Common stock acquired							11,250	(900)	(900)
Common stock awards exercised		48					(2,350)	116	164
Other		18	1				(2)	—	19
<b>Balance at December 31, 2021</b>	<u>\$ 1,976</u>	<u>503,880</u>	<u>\$ 504</u>	<u>\$ 10,787</u>	<u>\$ 25,238</u>	<u>\$ (1,133)</u>	<u>137,897</u>	<u>\$ (10,009)</u>	<u>\$ 27,363</u>

<sup>(1)</sup> Represents the reclassification from accumulated other comprehensive income into retained earnings as a result of our adoption of ASU 2018-02 - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income in the first quarter of 2019.

The accompanying notes are an integral part of these consolidated financial statements.

**STATE STREET CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Operating Activities:</b>			
Net income	\$ 2,693	\$ 2,420	\$ 2,242
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income tax (benefit)	(162)	(194)	(130)
Amortization of other intangible assets	245	234	236
Other non-cash adjustments for depreciation, amortization and accretion, net	1,312	1,276	1,101
Losses (gains) related to investment securities, net	(57)	(4)	1
Provision for credit losses	(33)	88	10
Change in trading account assets, net	57	99	(54)
Change in accrued interest and fees receivable, net	(173)	127	(28)
Change in collateral deposits, net	(7,662)	(2,951)	287
Change in unrealized losses (gains) on foreign exchange derivatives, net	(3,448)	3,652	2,034
Change in other assets, net	691	(1,406)	(713)
Change in accrued expenses and other liabilities, net	(574)	(170)	294
Other, net	401	361	410
Net cash (used in) provided by operating activities	(6,710)	3,532	5,690
<b>Investing Activities:</b>			
Net (increase) decrease in interest-bearing deposits with banks	10,602	(47,995)	4,075
Net (increase) decrease in securities purchased under resale agreements	94	(1,619)	3,192
Proceeds from sales of available-for-sale securities	12,822	2,645	5,642
Proceeds from maturities of available-for-sale securities	23,484	23,644	20,407
Purchases of available-for-sale securities	(53,750)	(37,873)	(38,164)
Purchases of held-to-maturity securities under the MMLF program	—	(29,242)	—
Proceeds from maturities of held-to-maturity securities under the MMLF program	3,299	25,984	—
Proceeds from maturities of held-to-maturity securities	15,586	15,179	10,390
Purchases of held-to-maturity securities	(8,583)	(13,981)	(6,938)
Sale of loans	172	324	131
Net (increase) in loans	(4,779)	(1,939)	(650)
Business acquisitions, net of cash acquired	(346)	—	(54)
Divestitures	13	—	—
Purchases of equity investments and other long-term assets	(216)	(1,436)	(647)
Purchases of premises and equipment, net	(811)	(560)	(730)
Other, net	241	1,335	720
Net cash provided by (used in) investing activities	(2,172)	(65,534)	(2,626)
<b>Financing Activities:</b>			
Net (decrease) in time deposits	(363)	(33,466)	(11,255)
Net increase in all other deposits	15,611	91,391	12,767
Net (decrease) increase in securities sold under repurchase agreements	(1,838)	2,311	20
Net (decrease) increase in short-term borrowings under money market liquidity facility	(3,302)	3,302	—
Net (decrease) in other short-term borrowings	(557)	(154)	(2,253)
Proceeds from issuance of long-term debt, net of issuance costs	1,343	2,489	1,495
Payments for long-term debt and obligations under finance leases	(1,443)	(1,724)	(402)
Payments for redemption of preferred stock	(500)	(500)	(750)
Proceeds from issuance of common stock, net of issuance costs	1,900	—	—
Repurchases of common stock	(900)	(515)	(1,585)
Repurchases of common stock for employee tax withholding	(39)	(78)	(81)
Payments for cash dividends	(866)	(889)	(930)
Net cash provided by (used in) financing activities	9,046	62,167	(2,974)
Net increase	164	165	90
Cash and due from banks at beginning of period	3,467	3,302	3,212
Cash and due from banks at end of period	\$ 3,631	\$ 3,467	\$ 3,302
<b>Supplemental disclosure:</b>			
Interest paid	\$ 37	\$ 375	\$ 1,382
Income taxes paid, net	559	403	510

The accompanying notes are an integral part of these consolidated financial statements.

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accounting and financial reporting policies of State Street Corporation conform to U.S. GAAP. State Street Corporation, the Parent Company, is a financial holding company headquartered in Boston, Massachusetts. Unless otherwise indicated or unless the context requires otherwise, all references in these notes to consolidated financial statements to "State Street," "we," "us," "our" or similar references mean State Street Corporation and its subsidiaries on a consolidated basis, including our principal banking subsidiary, State Street Bank.

We have two lines of business:

*Investment Servicing*, through State Street Institutional Services, State Street Global Markets, State Street Digital and CRD, provides services for institutional clients, including mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, investment managers, foundations and endowments worldwide. Products include: custody; product accounting; daily pricing and administration; master trust and master custody; depotbank services (a fund oversight role created by non-U.S. regulation); record-keeping; cash management; foreign exchange, brokerage and other trading services; securities finance and enhanced custody products; deposit and short-term investment facilities; loans and lease financing; investment manager and alternative investment manager operations outsourcing; performance, risk and compliance analytics; and financial data management to support institutional investors.

Included within our Investment Servicing line of business is CRD, which we acquired in 2018. The Charles River Investment Management System is a technology offering which is designed to automate and simplify the institutional investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. With the acquisition of CRD, we took the first step in building our front-to-back platform, State Street Alpha. Today our State Street Alpha platform combines portfolio management, trading and execution, analytics and compliance tools, and advanced data aggregation and integration with other industry platforms and providers. In 2021, we further expanded our technology offering with the acquisition of Mercatus, Inc., enabling the launch of Alpha for Private Markets.

*Investment Management*, through State Street Global Advisors, provides a broad range of investment management strategies and products for our clients. Our investment management strategies

and products span the risk/reward spectrum for equity, fixed income and cash assets, including core and enhanced indexing, multi-asset strategies, active quantitative and fundamental active capabilities and alternative investment strategies. Our AUM is currently primarily weighted to indexed strategies. In addition, we provide a breadth of services and solutions, including ESG investing, defined benefit and defined contribution and Global Fiduciary Solutions (formerly Outsourced Chief Investment Officer). State Street Global Advisors is also a provider of ETFs, including the SPDR® ETF brand.

**Consolidation**

Our consolidated financial statements include the accounts of the Parent Company and its majority-and wholly-owned and otherwise controlled subsidiaries, including State Street Bank. All material inter-company transactions and balances have been eliminated. Certain previously reported amounts have been reclassified to conform to current-year presentation.

We consolidate subsidiaries in which we exercise control. Investments in unconsolidated subsidiaries, recorded in other assets, generally are accounted for under the equity method of accounting if we have the ability to exercise significant influence over the operations of the investee. For investments accounted for under the equity method, our share of income or loss is recorded in software and processing fees in our consolidated statement of income. Investments not meeting the criteria for equity-method treatment are measured at fair value through earnings, except for investments where a fair market value is not readily available, which are accounted for under the cost method of accounting.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in the application of certain of our significant accounting policies that may materially affect the reported amounts of assets, liabilities, equity, revenue and expenses. As a result of unanticipated events or circumstances, actual results could differ from those estimates.

**Foreign Currency Translation**

The assets and liabilities of our operations with functional currencies other than the U.S. dollar are translated at month-end exchange rates, and revenue and expenses are translated at rates that approximate average monthly exchange rates. Gains or losses from the translation of the net assets of subsidiaries with functional currencies other than the U.S. dollar, net of related taxes, are recorded in AOCI, a component of shareholders' equity.

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, cash and cash equivalents are defined as cash and due from banks.

**Interest-Bearing Deposits with Banks**

Interest-bearing deposits with banks generally consist of highly liquid, short-term investments maintained at the Federal Reserve Bank and other non-U.S. central banks with original maturities at the time of purchase of one month or less.

**Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements**

Securities purchased under resale agreements and sold under repurchase agreements are treated as collateralized financing transactions, and are recorded in our consolidated statement of condition at the amounts at which the securities will be subsequently resold or repurchased, plus accrued interest. Our policy is to take possession or control of securities underlying resale agreements either directly or through agent banks, allowing borrowers the right of collateral substitution and/or short-notice termination. We revalue these securities daily to determine if additional collateral is necessary from the borrower to protect us against credit exposure. We can use these securities as collateral for repurchase agreements.

For securities sold under repurchase agreements collateralized by our investment securities portfolio, the dollar value of the securities remains in investment securities in our consolidated statement of condition. Where a master netting agreement exists or both parties are members of a common clearing organization, resale and repurchase agreements are recorded on a net basis when specific netting criteria are met.

**Fee and Net Interest Income**

The majority of fees from investment servicing, investment management, securities finance, trading services and certain types of software and processing fees are recorded in our consolidated statement of income based on the consideration specified in contracts with our customers, and excludes taxes collected from customers subsequently remitted to governmental authorities. We recognize revenue as the services are performed or at a point in time depending on the nature of the services provided. Payments made to third party service providers are generally recognized on a gross basis when we control those services and are deemed to be the principal. Additional information about revenue from contracts with customers is provided in Note 25.

Interest income on interest-earning assets and interest expense on interest-bearing liabilities are

recorded in our consolidated statement of income as components of NII, and are generally based on the effective yield of the related financial asset or liability.

**Other Significant Policies**

The following table identifies our other significant accounting policies and the note and page where a detailed description of each policy can be found:

Fair Value	Note 2	Page 137
Investment Securities	Note 3	Page 144
Loans	Note 4	Page 149
Goodwill and Other Intangible Assets	Note 5	Page 154
Derivative Financial Instruments	Note 10	Page 158
Offsetting Arrangements	Note 11	Page 162
Contingencies	Note 13	Page 166
Variable Interest Entities	Note 14	Page 168
Equity-Based Compensation	Note 18	Page 173
Income Taxes	Note 22	Page 177
Earnings Per Common Share	Note 23	Page 179
Revenue from Contracts with Customers	Note 25	Page 181

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Recent Accounting Developments**

The FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which was effective as of March 12, 2020. The guidance (1) provides temporary optional expedites and exceptions to the existing guidance on contract modifications and hedge accounting in relation to the transition from LIBOR and other rates impacted by reference rate reform to alternative reference rates; and (2) allows a one-time election to transfer to AFS or trading HTM debt securities that reference an interest rate affected by reference rate reform. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848): Reference Rate Reform - Scope, which clarifies that the scope of the initial accounting relief includes derivative instruments that do not reference a rate that is expected to be discontinued but that use an interest rate for margining, discounting or contract price alignment that is modified as a result of reference rate reform.

In the fourth quarter of 2021, we made the one-time election to reclassify to AFS certain HTM securities that reference an interest rate affected by reference rate reform. Securities with a book value of \$438 million referencing LIBOR and other eligible reference rates were reclassified from HTM to AFS. We recognized a \$72 million unrealized gain in AOCI on the reclassification of such securities and a \$58 million realized gain on securities reclassified and subsequently sold.

We also elected to apply certain optional expedites related to hedge accounting and contract modification with no significant impact on the 2021 results.

Additionally, we continue to evaluate accounting standards that were recently issued but not yet adopted as of December 31, 2021; none are expected to have a material impact to our financial statements.

**Note 2. Fair Value**

**Fair Value Measurements**

We carry trading account assets and liabilities, AFS debt securities, certain equity securities and various types of derivative financial instruments, at fair value in our consolidated statement of condition on a recurring basis. Changes in the fair values of these financial assets and liabilities are recorded either as components of our consolidated statement of income or as components of AOCI within shareholders' equity in our consolidated statement of condition.

We measure fair value for the above-described financial assets and liabilities in conformity with U.S. GAAP that governs the measurement of the fair value

of financial instruments. Management believes that its valuation techniques and underlying assumptions used to measure fair value conform to the provisions of U.S. GAAP. We categorize the financial assets and liabilities that we carry at fair value based on a prescribed three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to valuation methods using significant unobservable inputs (level 3). If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, categorization is based on the lowest-level input that is significant to the fair-value measurement. Management's assessment of the significance of a particular input to the overall fair-value measurement of a financial asset or liability requires judgment, and considers factors specific to that asset or liability. The three levels of the valuation hierarchy are described below.

*Level 1. Financial assets and liabilities with values based on unadjusted quoted prices for identical assets or liabilities in an active market.* Our level 1 financial assets and liabilities primarily include positions in U.S. government securities and highly liquid U.S. and non-U.S. government fixed-income securities. Our level 1 financial assets also include actively traded exchange-traded equity securities.

*Level 2. Financial assets and liabilities with values based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.* Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from, or corroborated by, observable market information through correlation or other means for substantially the full term of the asset or liability.

Our level 2 financial assets and liabilities primarily include non-U.S. debt securities carried in trading account assets and various types of fixed-income AFS investment securities, as well as various types of foreign exchange and interest rate derivative instruments.

Fair value for our AFS investment securities categorized in level 2 is measured primarily using information obtained from independent third parties.

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

This third-party information is subject to review by management as part of a validation process, which includes obtaining an understanding of the underlying assumptions and the level of market participant information used to support those assumptions. In addition, management compares significant assumptions used by third parties to available market information. Such information may include known trades or, to the extent that trading activity is limited, comparisons to market research information pertaining to credit expectations, execution prices and the timing of cash flows and, where information is available, back-testing.

Derivative instruments categorized in level 2 predominantly represent foreign exchange contracts used in our trading activities, for which fair value is measured using discounted cash-flow techniques, with inputs consisting of observable spot and forward points, as well as observable interest rate curves. With respect to derivative instruments, we evaluate the impact on valuation of the credit risk of our counterparties. We consider factors such as the likelihood of default by our counterparties, our current and potential future net exposures and remaining maturities in determining the fair value. Valuation adjustments associated with derivative instruments were not material to those instruments for the years ended December 31, 2021 and 2020.

*Level 3. Financial assets and liabilities with values based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall measurement of fair value.* These inputs reflect management's judgment about the assumptions that a market

participant would use in pricing the financial asset or liability, and are based on the best available information, some of which may be internally developed. The following provides a more detailed discussion of our financial assets and liabilities that we may categorize in level 3 and the related valuation methodology.

- The fair value of our investment securities categorized in level 3 is measured using information obtained from third-party sources, typically non-binding broker/dealer quotes, or through the use of internally-developed pricing models. Management has evaluated its methodologies used to measure fair value and has considered the level of observable market information to be insufficient to categorize the securities in level 2.
- The fair value of certain foreign exchange contracts, primarily options, is measured using an option-pricing model. Because of a limited number of observable transactions, certain model inputs are not observable, such as implied volatility surface, but are derived from observable market information.

Our level 3 financial assets and liabilities are similar in structure and profile to our level 1 and level 2 financial instruments, but they trade in less liquid markets, and the measurement of their fair value is therefore less observable.

The following tables present information with respect to our financial assets and liabilities carried at fair value in our consolidated statement of condition on a recurring basis as of the dates indicated:

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Fair Value Measurements on a Recurring Basis**

As of December 31, 2021

(In millions)	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Impact of Netting <sup>(1)</sup>	Total Net Carrying Value in Consolidated Statement of Condition
<b>Assets:</b>					
Trading account assets:					
U.S. government securities	\$ 39	\$ —	\$ —	\$ —	\$ 39
Non-U.S. government securities	—	134	—	—	134
Other	—	585	—	—	585
Total trading account assets	<u>39</u>	<u>719</u>	<u>—</u>		<u>758</u>
Available-for-sale investment securities:					
U.S. Treasury and federal agencies:					
Direct obligations	17,939	—	—	—	17,939
Mortgage-backed securities	—	18,208	—	—	18,208
Total U.S. Treasury and federal agencies	<u>17,939</u>	<u>18,208</u>	<u>—</u>		<u>36,147</u>
Non-U.S. debt securities:					
Mortgage-backed securities	—	1,995	—	—	1,995
Asset-backed securities	—	2,087	—	—	2,087
Non-U.S. sovereign, supranational and non-U.S. agency	—	23,547	—	—	23,547
Other	—	3,098	—	—	3,098
Total non-U.S. debt securities	<u>—</u>	<u>30,727</u>	<u>—</u>		<u>30,727</u>
Asset-backed securities:					
Student loans	—	211	—	—	211
Collateralized loan obligations	—	2,155	—	—	2,155
Non-agency CMBS and RMBS <sup>(2)</sup>	—	52	—	—	52
Other	—	91	—	—	91
Total asset-backed securities	<u>—</u>	<u>2,509</u>	<u>—</u>		<u>2,509</u>
State and political subdivisions	—	1,272	—	—	1,272
Other U.S. debt securities	—	2,744	—	—	2,744
Total available-for-sale investment securities	<u>17,939</u>	<u>55,460</u>	<u>—</u>		<u>73,399</u>
Other assets:					
Derivative instruments:					
Foreign exchange contracts	2	15,183	—	\$ (11,079)	4,106
Interest rate contracts	2	—	—	—	2
Total derivative instruments	<u>4</u>	<u>15,183</u>	<u>—</u>	<u>(11,079)</u>	<u>4,108</u>
Other	—	667	—	—	667
Total assets carried at fair value	<u>\$ 17,982</u>	<u>\$ 72,029</u>	<u>\$ —</u>	<u>\$ (11,079)</u>	<u>\$ 78,932</u>
<b>Liabilities:</b>					
Accrued expenses and other liabilities:					
Derivative instruments:					
Foreign exchange contracts	\$ 1	\$ 15,824	\$ —	\$ (10,395)	\$ 5,430
Other derivative contracts	—	301	—	—	301
Total derivative instruments	<u>1</u>	<u>16,125</u>	<u>—</u>	<u>(10,395)</u>	<u>5,731</u>
Total liabilities carried at fair value	<u>\$ 1</u>	<u>\$ 16,125</u>	<u>\$ —</u>	<u>\$ (10,395)</u>	<u>\$ 5,731</u>

<sup>(1)</sup> Represents counterparty netting against level 2 financial assets and liabilities where a legally enforceable master netting agreement exists between us and the counterparty. Netting also reflects asset and liability reductions of \$1.97 billion and \$1.28 billion, respectively, for cash collateral received from and provided to derivative counterparties.

<sup>(2)</sup> Consists entirely of non-agency CMBS.

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In millions)	Fair Value Measurements on a Recurring Basis						
	As of December 31, 2020						
	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Impact of Netting <sup>(1)</sup>	Total Net Carrying Value in Consolidated Statement of Condition		
<b>Assets:</b>							
Trading account assets:							
U.S. government securities	\$ 40	\$ —	\$ —	\$ —	\$ 40		
Non-U.S. government securities	—	239	—	—	239		
Other	17	519	—	—	536		
Total trading account assets	<u>57</u>	<u>758</u>	<u>—</u>	<u>—</u>	<u>815</u>		
Available-for-sale investment securities:							
U.S. Treasury and federal agencies:							
Direct obligations	6,575	—	—	—	6,575		
Mortgage-backed securities	—	14,305	—	—	14,305		
Total U.S. Treasury and federal agencies	<u>6,575</u>	<u>14,305</u>	<u>—</u>	<u>—</u>	<u>20,880</u>		
Non-U.S. debt securities:							
Mortgage-backed securities	—	1,996	—	—	1,996		
Asset-backed securities	—	2,291	—	—	2,291		
Non-U.S. sovereign, supranational and non-U.S. agency	—	22,087	—	—	22,087		
Other	—	3,355	—	—	3,355		
Total non-U.S. debt securities	<u>—</u>	<u>29,729</u>	<u>—</u>	<u>—</u>	<u>29,729</u>		
Asset-backed securities:							
Student loans	—	314	—	—	314		
Collateralized loan obligations	—	2,952	14	—	2,966		
Non-agency CMBS and RMBS <sup>(2)</sup>	—	78	—	—	78		
Other	—	90	—	—	90		
Total asset-backed securities	<u>—</u>	<u>3,434</u>	<u>14</u>	<u>—</u>	<u>3,448</u>		
State and political subdivisions	—	1,548	—	—	1,548		
Other U.S. debt securities	—	3,443	—	—	3,443		
Total available-for-sale investment securities	<u>6,575</u>	<u>52,459</u>	<u>14</u>	<u>—</u>	<u>59,048</u>		
Other assets:							
Derivative instruments:							
Foreign exchange contracts	—	25,941	2	\$ (20,140)	5,803		
Interest rate contracts	1	—	—	—	1		
Total derivative instruments	<u>1</u>	<u>25,941</u>	<u>2</u>	<u>(20,140)</u>	<u>5,804</u>		
Other	—	525	—	—	525		
Total assets carried at fair value	<u>\$ 6,633</u>	<u>\$ 79,683</u>	<u>\$ 16</u>	<u>\$ (20,140)</u>	<u>\$ 66,192</u>		
<b>Liabilities:</b>							
Accrued expenses and other liabilities:							
Trading account liabilities:							
Other	\$ 4	\$ —	\$ —	\$ —	\$ 4		
Derivative instruments:							
Foreign exchange contracts	1	25,925	1	(15,558)	10,369		
Interest rate contracts	—	42	—	—	42		
Other derivative contracts	—	157	—	—	157		
Total derivative instruments	<u>1</u>	<u>26,124</u>	<u>1</u>	<u>(15,558)</u>	<u>10,568</u>		
Total liabilities carried at fair value	<u>\$ 5</u>	<u>\$ 26,124</u>	<u>\$ 1</u>	<u>\$ (15,558)</u>	<u>\$ 10,572</u>		

<sup>(1)</sup> Represents counterparty netting against level 2 financial assets and liabilities where a legally enforceable master netting agreement exists between us and the counterparty. Netting also reflects asset and liability reductions of \$5.87 billion and \$1.29 billion, respectively, for cash collateral received from and provided to derivative counterparties.

<sup>(2)</sup> Consists entirely of non-agency CMBS.

**STATE STREET CORPORATION**  
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The following tables present activity related to our level 3 financial assets during the years ended December 31, 2021 and 2020, respectively. Transfers into and out of level 3 are reported as of the beginning of the period presented. During the years ended December 31, 2021 and 2020, transfers into level 3 were primarily related to collateralized loan obligations and a U.S. corporate bond, for which fair value was measured using information obtained from third party sources, including non-binding broker/dealer quotes. During the years ended December 31, 2021 and 2020, transfers out of level 3 were mainly related to collateralized loan obligations, certain non-U.S. debt securities and a U.S. corporate bond, for which fair value was measured using prices based on observable market information.

**Fair Value Measurements Using Significant Unobservable Inputs**

Year Ended December 31, 2021

(In millions)	Total Realized and Unrealized Gains (Losses)							Change in Unrealized Gains (Losses) Related to Financial Instruments Held as of December 31, 2021		
	Fair Value as of December 31, 2020	Recorded in Revenue <sup>(1)</sup>	Recorded in Other Comprehensive Income <sup>(1)</sup>	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value as of December 31, 2021 <sup>(1)</sup>	
	Assets:									
<b>Available-for-sale Investment securities:</b>										
Asset-backed securities:										
Collateralized loan obligations	\$ 14	\$ —	\$ —	\$ 106	\$ —	\$ —	\$ —	\$ (120)	\$ —	
Total asset-backed securities	<u>14</u>	<u>—</u>	<u>—</u>	<u>106</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(120)</u>	<u>—</u>	
Other U.S. debt securities	—	—	—	—	—	—	15	(15)	—	
Total available-for-sale investment securities	<u>14</u>	<u>—</u>	<u>—</u>	<u>106</u>	<u>—</u>	<u>—</u>	<u>15</u>	<u>(135)</u>	<u>—</u>	
Other assets:										
Derivative instruments:										
Foreign exchange contracts	2	(3)	—	1	—	—	—	—	\$ (1)	
Total derivative instruments	<u>2</u>	<u>(3)</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Total assets carried at fair value	<u>\$ 16</u>	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ 107</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ (135)</u>	<u>\$ —</u>	<u>\$ (1)</u>

<sup>(1)</sup> Total realized and unrealized gains (losses) on AFS investment securities are included within gains (losses) related to investment securities, net. Total realized and unrealized gains (losses) on derivative instruments are included within foreign exchange trading services.

**Fair Value Measurements Using Significant Unobservable Inputs**

Year Ended December 31, 2020

(In millions)	Total Realized and Unrealized Gains (Losses)							Change in Unrealized Gains (Losses) Related to Financial Instruments Held as of December 31, 2020		
	Fair Value as of December 31, 2019	Recorded in Revenue <sup>(1)</sup>	Recorded in Other Comprehensive Income <sup>(1)</sup>	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value as of December 31, 2020 <sup>(1)</sup>	
	Assets:									
<b>Available-for-sale Investment securities:</b>										
Asset-backed securities:										
Collateralized loan obligations	\$ 1,820	\$ —	\$ (10)	\$ 864	\$ (95)	\$ (77)	\$ 50	\$ (2,538)	\$ 14	
Total asset-backed securities	<u>1,820</u>	<u>—</u>	<u>(10)</u>	<u>864</u>	<u>(95)</u>	<u>(77)</u>	<u>50</u>	<u>(2,538)</u>	<u>14</u>	
Non-U.S. debt securities:										
Asset-backed securities	887	—	35	1	—	(5)	—	(918)	—	
Other	45	—	2	—	—	—	—	(47)	—	
Total non-U.S. debt securities	<u>932</u>	<u>—</u>	<u>37</u>	<u>1</u>	<u>—</u>	<u>(5)</u>	<u>—</u>	<u>(965)</u>	<u>—</u>	
Total available-for-sale investment securities	<u>2,752</u>	<u>—</u>	<u>27</u>	<u>865</u>	<u>(95)</u>	<u>(82)</u>	<u>50</u>	<u>(3,503)</u>	<u>14</u>	
Other assets:										
Derivative instruments:										
Foreign exchange contracts	4	(6)	—	5	—	(1)	—	—	2	\$ (3)
Total derivative instruments	<u>4</u>	<u>(6)</u>	<u>—</u>	<u>5</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>(3)</u>
Total assets carried at fair value	<u>\$ 2,756</u>	<u>\$ (6)</u>	<u>\$ 27</u>	<u>\$ 870</u>	<u>\$ (95)</u>	<u>\$ (83)</u>	<u>\$ 50</u>	<u>\$ (3,503)</u>	<u>\$ 16</u>	<u>\$ (3)</u>

<sup>(1)</sup> Total realized and unrealized gains (losses) on AFS investment securities are included within gains (losses) related to investment securities, net. Total realized and unrealized gains (losses) on derivative instruments are included within foreign exchange trading services.

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The following table presents quantitative information, as of the dates indicated, about the valuation techniques and significant unobservable inputs used in the valuation of our level 3 financial assets and liabilities measured at fair value on a recurring basis for which we use internally-developed pricing models. The significant unobservable inputs for our level 3 financial assets and liabilities whose fair value is measured using pricing information from non-binding broker/dealer quotes are not included in the table, as the specific inputs applied are not provided by the broker/dealer.

(Dollars in millions)	<b>Quantitative Information about Level 3 Fair Value Measurements</b>							
	<b>Fair Value</b>		Valuation Technique	Significant Unobservable Input <sup>(1)</sup>	<b>Range</b>		<b>Weighted-Average</b>	
	As of December 31, 2021	As of December 31, 2020			As of December 31, 2021	As of December 31, 2021	As of December 31, 2020	As of December 31, 2020
<b>Significant unobservable inputs readily available to State Street:</b>								
<b>Assets:</b>								
Derivative Instruments, foreign exchange contracts	\$ —	\$ 2	Option model	Volatility	5.3% - 15.9%	15.2 %	7.9 %	
Total	<u>\$ —</u>	<u>\$ 2</u>						
<b>Liabilities:</b>								
Derivative instruments, foreign exchange contracts	\$ —	\$ 1	Option model	Volatility	14.7% - 14.7%	14.7 %	7.7 %	
Total	<u>\$ —</u>	<u>\$ 1</u>						

<sup>(1)</sup> Significant changes in these unobservable inputs may result in significant changes in fair value measurement of the derivative instrument.

#### **Financial Instruments Not Carried at Fair Value**

Estimates of fair value for financial instruments not carried at fair value in our consolidated statement of condition are generally subjective in nature, and are determined as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Disclosure of fair value estimates is not required by U.S. GAAP for certain items, such as lease financing, equity-method investments, obligations for pension and other post-retirement plans, premises and equipment, other intangible assets and income-tax assets and liabilities. Accordingly, aggregate fair-value estimates presented do not purport to represent, and should not be considered representative of, our underlying "market" or franchise value. In addition, because of potential differences in methodologies and assumptions used to estimate fair values, our estimates of fair value should not be compared to those of other financial institutions.

We use the following methods to estimate the fair values of our financial instruments:

- For financial instruments that have quoted market prices, those quoted prices are used to estimate fair value;
- For financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a market rate, we assume that the fair value of these instruments approximates their reported value, after taking into consideration any applicable credit risk; and
- For financial instruments for which no quoted market prices are available, fair value is estimated using information obtained from independent third parties, or by discounting the expected cash flows using an estimated current market interest rate for the financial instrument.

The generally short duration of certain of our assets and liabilities results in a significant number of financial instruments for which fair value equals or closely approximates the amount recorded in our consolidated statement of condition. These financial instruments are reported in the following captions in our consolidated statement of condition: cash and due from banks; interest-bearing deposits with banks; securities purchased under resale agreements; accrued interest and fees receivable; deposits; securities sold under repurchase agreements; and other short-term borrowings.

In addition, due to the relatively short duration of certain of our loans, we consider fair value for these loans to approximate their reported value. The fair value of other types of loans, such as leveraged loans, commercial real estate loans, purchased receivables and municipal loans is estimated using information obtained from independent third parties or by discounting expected future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. Commitments to lend have no reported value because their terms are at prevailing market rates.

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The following tables present the reported amounts and estimated fair values of the financial assets and liabilities not carried at fair value, as they would be categorized within the fair value hierarchy, as of the dates indicated:

(In millions)	Fair Value Hierarchy					
	Reported Amount	Estimated Fair Value	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	
<b>December 31, 2021</b>						
<b>Financial Assets:</b>						
Cash and due from banks	\$ 3,631	\$ 3,631	\$ 3,631	—	\$ —	—
Interest-bearing deposits with banks	106,358	106,358	—	106,358	—	—
Securities purchased under resale agreements	3,012	3,012	—	3,012	—	—
Investment securities held-to-maturity	42,430	42,271	2,160	40,111	—	—
Net loans <sup>(1)</sup>	32,445	32,528	—	29,862	2,666	—
Other <sup>(2)</sup>	1	1	—	1	—	—
<b>Financial Liabilities:</b>						
Deposits:						
Non-interest-bearing	\$ 56,461	\$ 56,461	\$ —	\$ 56,461	\$ —	—
Interest-bearing - U.S.	102,985	102,985	—	102,985	—	—
Interest-bearing - non-U.S.	95,589	95,589	—	95,589	—	—
Securities sold under repurchase agreements	1,575	1,575	—	1,575	—	—
Other short-term borrowings	128	128	—	128	—	—
Long-term debt	13,475	13,552	—	13,385	167	—
Other <sup>(2)</sup>	1	1	—	1	—	—

<sup>(1)</sup> Includes \$8 million of loans classified as held-for-sale that were measured at fair value in level 2 as of December 31, 2021.

<sup>(2)</sup> Represents a portion of underlying client assets related to our enhanced custody business, which clients have allowed us to transfer and re-pledge.

(In millions)	Fair Value Hierarchy					
	Reported Amount	Estimated Fair Value	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	
<b>December 31, 2020</b>						
<b>Financial Assets:</b>						
Cash and due from banks	\$ 3,467	\$ 3,467	\$ 3,467	—	\$ —	—
Interest-bearing deposits with banks	116,960	116,960	—	116,960	—	—
Securities purchased under resale agreements	3,106	3,106	—	3,106	—	—
HTM securities purchased under the MMLF program	3,299	3,304	—	3,304	—	—
Investment securities held-to-maturity	48,929	50,003	6,115	43,888	—	—
Net loans	27,803	27,884	—	25,668	2,216	—
Other <sup>(1)</sup>	4,753	4,753	—	4,753	—	—
<b>Financial Liabilities:</b>						
Deposits:						
Non-interest-bearing	\$ 49,439	\$ 49,439	\$ —	\$ 49,439	\$ —	—
Interest-bearing - U.S.	102,331	102,331	—	102,331	—	—
Interest-bearing - non-U.S.	88,028	88,028	—	88,028	—	—
Securities sold under repurchase agreements	3,413	3,413	—	3,413	—	—
Short-term borrowings under the MMLF program	3,302	3,302	—	3,302	—	—
Other short-term borrowings	685	685	—	685	—	—
Long-term debt	13,805	14,162	—	14,049	113	—
Other <sup>(1)</sup>	4,753	4,753	—	4,753	—	—

<sup>(1)</sup> Represents a portion of underlying client assets related to our enhanced custody business, which clients have allowed us to transfer and re-pledge.

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**Note 3. Investment Securities**

Investment securities held by us are classified as either trading account assets, AFS, HTM or equity securities held at fair value at the time of purchase and reassessed periodically, based on management's intent.

Generally, trading assets are debt and equity securities purchased in connection with our trading activities and, as such, are expected to be sold in the near term. Our trading activities typically involve active and frequent buying and selling with the objective of generating profits on short-term movements. AFS investment securities are those securities that we intend to hold for an indefinite period of time. AFS investment securities include securities utilized as part of our asset and liability management activities that may be sold in response to changes in interest rates, prepayment risk, liquidity needs or other factors. HTM securities are debt securities that management has the intent and the ability to hold to maturity.

Trading assets are carried at fair value. Both realized and unrealized gains and losses on trading assets are recorded in foreign exchange trading services revenue in our consolidated statement of income. AFS securities are carried at fair value, with any allowance for credit losses recorded through the consolidated statement of income and after-tax net unrealized gains and losses are recorded in AOCI. Gains or losses realized on sales of AFS investment securities are computed using the specific identification method and are recorded in gains (losses) related to investment securities, net, in our consolidated statement of income. HTM investment securities are carried at cost, adjusted for amortization of premiums and accretion of discounts, with any allowance for credit losses recorded through the consolidated statement of income.

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The following table presents the amortized cost, fair value and associated unrealized gains and losses of AFS and HTM investment securities as of the dates indicated:

(In millions)	December 31, 2021				December 31, 2020			
	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
<b>Available-for-sale:</b>								
U.S. Treasury and federal agencies:								
Direct obligations	\$ 18,111	\$ 24	\$ 196	\$ 17,939	\$ 6,453	\$ 123	\$ 1	\$ 6,575
Mortgage-backed securities	18,154	148	94	18,208	13,891	421	7	14,305
Total U.S. Treasury and federal agencies	36,265	172	290	36,147	20,344	544	8	20,880
Non-U.S. debt securities:								
Mortgage-backed securities	1,986	12	3	1,995	1,994	4	2	1,996
Asset-backed securities <sup>(1)</sup>	2,087	2	2	2,087	2,294	1	4	2,291
Non-U.S. sovereign, supranational and non-U.S. agency	23,533	114	100	23,547	21,769	321	3	22,087
Other <sup>(2)</sup>	3,113	17	32	3,098	3,297	58	—	3,355
Total non-U.S. debt securities	30,719	145	137	30,727	29,354	384	9	29,729
Asset-backed securities:								
Student loans <sup>(3)</sup>	209	2	—	211	313	2	1	314
Collateralized loan obligations <sup>(4)</sup>	2,155	2	2	2,155	2,969	3	6	2,966
Non-agency CMBS and RMBS <sup>(5)</sup>	52	—	—	52	76	2	—	78
Other	90	1	—	91	90	—	—	90
Total asset-backed securities	2,506	5	2	2,509	3,448	7	7	3,448
State and political subdivisions <sup>(6)</sup>	1,216	59	3	1,272	1,470	80	2	1,548
Other U.S. debt securities <sup>(7)</sup>	2,734	23	13	2,744	3,371	72	—	3,443
Total available-for-sale securities	\$ 73,440	\$ 404	\$ 445	\$ 73,399	\$ 57,987	\$ 1,087	\$ 26	\$ 59,048
<b>Held-to-maturity:</b>								
U.S. Treasury and federal agencies:								
Direct obligations	\$ 2,170	\$ 10	\$ —	\$ 2,180	\$ 6,057	\$ 83	\$ —	\$ 6,140
Mortgage-backed securities	33,481	362	578	33,265	36,901	955	67	37,789
Total U.S. Treasury and federal agencies	35,651	372	578	35,445	42,958	1,038	67	43,929
Non-U.S. debt securities:								
Mortgage-backed securities	—	—	—	—	303	68	4	367
Non-U.S. sovereign, supranational and non-U.S. agency	1,564	—	9	1,555	342	—	—	342
Total non-U.S. debt securities	1,564	—	9	1,555	645	68	4	709
Asset-backed securities:								
Student loans <sup>(3)</sup>	4,908	48	14	4,942	4,774	33	25	4,782
Non-agency CMBS and RMBS <sup>(8)</sup>	307	22	—	329	554	30	1	583
Total asset-backed securities	5,215	70	14	5,271	5,328	63	26	5,365
Total <sup>(9)</sup>	42,430	442	601	42,271	48,931	1,169	97	50,003
Held-to-maturity under money market mutual fund liquidity facility <sup>(9)</sup>	—	—	—	—	3,300	4	—	3,304
Total held-to-maturity securities	\$ 42,430	\$ 442	\$ 601	\$ 42,271	\$ 52,231	\$ 1,173	\$ 97	\$ 53,307

<sup>(1)</sup> As of December 31, 2021 and December 31, 2020, the fair value includes non-U.S. collateralized loan obligations of \$0.83 billion and \$0.96 billion, respectively.

<sup>(2)</sup> As of December 31, 2021 and December 31, 2020, the fair value includes non-U.S. corporate bonds of \$1.53 billion and \$1.88 billion, respectively.

<sup>(3)</sup> Primarily comprised of securities guaranteed by the federal government with respect to at least 97% of defaulted principal and accrued interest on the underlying loans.

<sup>(4)</sup> Excludes collateralized loan obligations in loan form. Refer to Note 4 for additional information.

<sup>(5)</sup> Consists entirely of non-agency CMBS as of both December 31, 2021 and December 31, 2020.

<sup>(6)</sup> As of December 31, 2021 and December 31, 2020, the fair value of state and political subdivisions includes securities in trusts of \$0.52 billion and \$0.70 billion, respectively. Additional information about these trusts is provided in Note 14.

<sup>(7)</sup> As of December 31, 2021 and December 31, 2020, the fair value of U.S. corporate bonds was \$2.44 billion and \$3.44 billion, respectively.

<sup>(8)</sup> As of December 31, 2021 and December 31, 2020, the total amortized cost included \$292 million and \$464 million, respectively, of non-agency CMBS and \$14 million and \$90 million of non-agency RMBS, respectively.

<sup>(9)</sup> As of December 31, 2021 and 2020, we recognized an allowance for credit losses on all HTM securities of \$0 million and \$3 million, respectively, inclusive of \$0 million and \$1 million, respectively, related to HTM securities purchased under the money market mutual fund liquidity facility.

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Aggregate investment securities with carrying values of approximately \$80.81 billion and \$70.57 billion as of December 31, 2021 and December 31, 2020, respectively, were designated as pledged for public and trust deposits, short-term borrowings and for other purposes as provided by law.

In 2021, 2020 and 2019, \$1.25 billion, \$8.60 billion and \$3.98 million, respectively, of agency MBS, previously classified as AFS, were transferred to HTM. These transfers reflect our intent to hold these securities until their maturity. These securities were transferred at fair value, which included a net unrealized gain of \$12 million, \$120 million and \$49 million as of December 31, 2021, 2020 and 2019, respectively, within accumulated other comprehensive loss which will be accreted into interest income over the remaining life of the transferred security (ranging from approximately 1 to 36 years).

In 2021, we transferred \$438 million of HTM debt securities that referenced LIBOR and other discontinued reference rates to AFS. \$378 million of these securities were sold resulting in a pre-tax gain of \$58 million.

In 2021, 2020 and 2019, proceeds from sales of AFS securities was approximately \$12.82 billion, \$2.65 billion and \$5.64 billion, respectively, primarily driven by MBS, ABS, municipal bonds and supranationals, resulting in a pre-tax gain of approximately \$57 million in 2021, a pre-tax gain of approximately \$4 million in 2020 and a pre-tax loss less than \$1 million in 2019.

The following tables present the aggregate fair values of AFS investment securities that have been in a continuous unrealized loss position for less than 12 months, and those that have been in a continuous unrealized loss position for 12 months or longer, as of the dates indicated:

(In millions)	As of December 31, 2021					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Available-for-sale:</b>						
U.S. Treasury and federal agencies:						
Direct obligations	\$ 14,749	\$ 194	\$ 1,624	\$ 2	\$ 16,373	\$ 196
Mortgage-backed securities	10,417	80	369	14	10,786	94
Total U.S. Treasury and federal agencies	<u>25,166</u>	<u>274</u>	<u>1,993</u>	<u>16</u>	<u>27,159</u>	<u>290</u>
Non-U.S. debt securities:						
Mortgage-backed securities	577	3	30	—	607	3
Asset-backed securities	1,021	2	127	—	1,148	2
Non-U.S. sovereign, supranational and non-U.S. agency	10,406	97	63	3	10,469	100
Other	1,570	31	19	1	1,589	32
Total non-U.S. debt securities	<u>13,574</u>	<u>133</u>	<u>239</u>	<u>4</u>	<u>13,813</u>	<u>137</u>
Asset-backed securities:						
Collateralized loan obligations	1,268	2	—	—	1,268	2
Total asset-backed securities	<u>1,268</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>1,268</u>	<u>2</u>
State and political subdivisions	10	—	45	3	55	3
Other U.S. debt securities	1,214	13	—	—	1,214	13
Total	<u>\$ 41,232</u>	<u>\$ 422</u>	<u>\$ 2,277</u>	<u>\$ 23</u>	<u>\$ 43,509</u>	<u>\$ 445</u>
As of December 31, 2020						
(In millions)	As of December 31, 2020					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Available-for-sale:</b>						
U.S. Treasury and federal agencies:						
Direct obligations	\$ 1,636	\$ 1	\$ —	\$ —	\$ 1,636	\$ 1
Mortgage-backed securities	1,394	7	63	—	1,457	7
Total U.S. Treasury and federal agencies	<u>3,030</u>	<u>8</u>	<u>63</u>	<u>—</u>	<u>3,093</u>	<u>8</u>
Asset-backed securities:						
Student loans	31	—	197	1	228	1
Collateralized loan obligations	1,498	4	369	2	1,867	6
Total asset-backed securities	<u>1,529</u>	<u>4</u>	<u>566</u>	<u>3</u>	<u>2,095</u>	<u>7</u>
Non-U.S. debt securities:						
Mortgage-backed securities	600	1	120	1	720	2
Asset-backed securities	1,015	3	446	1	1,461	4
Non-U.S. sovereign, supranational and non-U.S. agency	489	—	—	—	489	—
Other	715	3	80	—	795	3
Total non-U.S. debt securities	<u>2,819</u>	<u>7</u>	<u>646</u>	<u>2</u>	<u>3,465</u>	<u>9</u>
State and political subdivisions	95	—	76	2	171	2
Other U.S. debt securities	17	—	—	—	17	—
Total	<u>\$ 7,490</u>	<u>\$ 19</u>	<u>\$ 1,351</u>	<u>\$ 7</u>	<u>\$ 8,841</u>	<u>\$ 26</u>

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The following table presents the amortized cost and the fair value of contractual maturities of debt investment securities as of December 31, 2021. The maturities of certain ABS, MBS and collateralized mortgage obligations are based on expected principal payments. Actual maturities may differ from these expected maturities since certain borrowers have the right to prepay obligations with or without prepayment penalties.

(In millions)	As of December 31, 2021										
	Under 1 Year		1 to 5 Years		6 to 10 Years		Over 10 Years		Total		
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	
<b>Available-for-sale:</b>											
U.S. Treasury and federal agencies:											
Direct obligations	\$ 1,977	\$ 1,976	\$ 15,090	\$ 14,912	\$ 1,044	\$ 1,051	\$ —	\$ —	\$ 18,111	\$ 17,939	
Mortgage-backed securities	71	73	839	846	7,619	7,620	9,625	9,669	18,154	18,208	
Total U.S. Treasury and federal agencies	2,048	2,049	15,929	15,758	8,663	8,671	9,625	9,669	36,265	36,147	
Non-U.S. debt securities:											
Mortgage-backed securities	164	164	526	527	33	33	1,263	1,271	1,986	1,995	
Asset-backed securities	303	302	1,040	1,041	454	454	290	290	2,087	2,087	
Non-U.S. sovereign, supranational and non-U.S. agency	4,472	4,480	16,329	16,336	2,717	2,717	15	14	23,533	23,547	
Other	823	826	1,954	1,943	279	275	57	54	3,113	3,098	
Total non-U.S. debt securities	5,762	5,772	19,849	19,847	3,483	3,479	1,625	1,629	30,719	30,727	
Asset-backed securities:											
Student loans	113	115	—	—	—	—	96	96	209	211	
Collateralized loan obligations	147	147	482	483	1,085	1,084	441	441	2,155	2,155	
Non-agency CMBS and RMBS	—	—	—	—	—	—	52	52	52	52	
Other	—	—	—	—	90	91	—	—	90	91	
Total asset-backed securities	260	262	482	483	1,175	1,175	589	589	2,506	2,509	
State and political subdivisions	177	180	491	512	466	499	82	81	1,216	1,272	
Other U.S. debt securities	998	1,002	1,696	1,699	40	43	—	—	2,734	2,744	
<b>Total</b>	<b>\$ 9,245</b>	<b>\$ 9,265</b>	<b>\$ 38,447</b>	<b>\$ 38,299</b>	<b>\$ 13,827</b>	<b>\$ 13,867</b>	<b>\$ 11,921</b>	<b>\$ 11,968</b>	<b>\$ 73,440</b>	<b>\$ 73,399</b>	
<b>Held-to-maturity:</b>											
U.S. Treasury and federal agencies:											
Direct obligations	\$ 2,150	\$ 2,159	\$ 3	\$ 3	\$ 1	\$ 1	\$ 16	\$ 17	\$ 2,170	\$ 2,180	
Mortgage-backed securities	148	151	393	399	4,651	4,591	28,289	28,124	33,481	33,265	
Total U.S. Treasury and federal agencies	2,298	2,310	396	402	4,652	4,592	28,305	28,141	35,651	35,445	
Non-U.S. debt securities:											
Non-U.S. sovereign, supranational and non-U.S. agency	345	345	1,218	1,209	1	1	—	—	1,564	1,555	
Total non-U.S. debt securities	345	345	1,218	1,209	1	1	—	—	1,564	1,555	
Asset-backed securities:											
Student loans	341	335	48	47	971	984	3,548	3,576	4,908	4,942	
Non-agency CMBS and RMBS	87	95	144	144	—	—	76	90	307	329	
Total asset-backed securities	428	430	192	191	971	984	3,624	3,666	5,215	5,271	
<b>Total</b>	<b>\$ 3,071</b>	<b>\$ 3,085</b>	<b>\$ 1,806</b>	<b>\$ 1,802</b>	<b>\$ 5,624</b>	<b>\$ 5,577</b>	<b>\$ 31,929</b>	<b>\$ 31,807</b>	<b>\$ 42,430</b>	<b>\$ 42,271</b>	

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Interest income related to debt securities is recognized in our consolidated statement of income using the effective interest method, or on a basis approximating a level rate of return over the contractual or estimated life of the security. The level rate of return considers any non-refundable fees or costs, as well as purchase premiums or discounts, adjusted as prepayments occur, resulting in amortization or accretion, accordingly.

**Allowance for Credit Losses on Debt Securities and Impairment of AFS Securities**

We conduct quarterly reviews of HTM and AFS securities on a collective (pool) basis when similar risk characteristics exist to determine whether an allowance for credit losses should be recognized. HTM securities are evaluated for expected credit loss utilizing a probability of default methodology, or discounted cash flows assessed against the amortized cost of the investment security excluding accrued interest.

We monitor the credit quality of the HTM investment securities using a variety of methods, including both external and internal credit ratings.

With respect to certain classes of debt securities, primarily U.S. Treasuries and agency securities (mainly issued by U.S. Government entities and agencies, as well as Group of Seven sovereigns), we consider the history of credit losses, current conditions and reasonable and supportable forecasts, which may indicate that the expectation that nonpayment of the amortized cost basis is or continues to be zero. Therefore, for those securities, we do not record expected credit losses.

Our allowance for credit losses on our HTM securities was approximately nil and \$3 million as of December 31, 2021 and 2020, respectively, inclusive of nil and \$1 million, respectively related to HTM securities purchased under the money market mutual fund liquidity facility.

We have elected to not record an allowance on accrued interest for HTM securities. Accrued interest on these securities is reversed against interest income when payment on a security is delinquent for greater than 90 days from the date of payment.

An AFS security is impaired when the current fair value of an individual security is below its amortized cost basis. An allowance for credit losses on impaired AFS securities is recorded when the present value of expected future cash flows of the investment security is less than its amortized cost basis, limited to the amount by which the security's amortized cost basis exceeds the fair value. Investment securities will be written down to fair value through the consolidated statement of income when management intends to sell (or may be required to sell) the securities before they recover in value.

Our review of impaired AFS investment securities generally includes:

- the identification and evaluation of securities that have indications of potential impairment, such as issuer-specific concerns, including deteriorating financial condition or bankruptcy;
- the analysis of expected future cash flows of securities, based on quantitative and qualitative factors;
- the analysis of the collectability of those future cash flows, including information about past events, current conditions, and reasonable and supportable forecasts;
- the analysis of the underlying collateral for MBS and ABS;
- the analysis of individual impaired securities, including the anticipated recovery period and the magnitude of the overall price decline;
- evaluation of factors or triggers that could cause individual securities to be deemed impaired and those that would not support impairment; and
- documentation of the results of these analyses.

Our allowance for credit losses on our AFS securities was approximately \$2 million and nil as of December 31, 2021 and 2020, respectively,

Substantially all of our investment securities portfolio is composed of debt securities. A critical component of our assessment of impairment of these debt securities is the identification of credit-impaired securities for which management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security.

Debt securities that are not deemed to be credit impaired are subject to additional management analysis to assess whether management intends to sell, or, more likely than not, would be required to sell, the security before the expected recovery of its amortized cost basis.

As of December 31, 2021, 99% of our HTM and AFS investment portfolio is publicly rated investment grade.

Prior to the adoption of ASC 326 on January 1, 2020, we assessed our AFS and HTM securities for impairment under an OTTI model. Under this model impairment of AFS and HTM debt securities was recorded in our consolidated statement of income when management intended to sell (or may be required to sell) the securities before they recovered in value, or when management expected the present value of cash flows expected to be collected from the securities to be less than the amortized cost of the impaired security (a credit loss).

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We recorded less than \$1 million of OTTI, included in other income, in the year ended December 31, 2019, which resulted from adverse changes in the timing of expected future cash flows from non-U.S. mortgage- and asset backed securities.

After a review of the investment portfolio, taking into consideration then-current economic conditions, adverse situations that might affect our ability to fully collect principal and interest, the timing of future payments, the credit quality and performance of the collateral underlying MBS and ABS and other relevant factors, management considered the aggregate decline in fair value of the investment securities portfolio and the resulting gross pre-tax unrealized losses of \$1,046 million and \$123 million related to 954 and 503 securities as of December 31, 2021 and December 31, 2020, respectively, to be temporary, and not the result of any material changes in the credit characteristics of the securities.

**Note 4. Loans and Allowance for Credit Losses**

Loans are generally recorded at their principal amount outstanding, net of the allowance for credit losses, unearned income, and any net unamortized deferred loan origination fees. Loans that are classified as held-for-sale are measured at lower of cost or fair value on an individual basis.

Interest income related to loans is recognized in our consolidated statement of income using the interest method, or on a basis approximating a level rate of return over the term of the loan. Fees received for providing loan commitments and letters of credit that we anticipate will result in loans typically are deferred and amortized to interest income over the term of the related loan, beginning with the initial borrowing. Fees on commitments and letters of credit are amortized to software and processing fees over the commitment period when funding is not known or expected.

The following table presents our recorded investment in loans, by segment, as of the dates indicated:

(In millions)	December 31, 2021	December 31, 2020
<b>Domestic<sup>(1)</sup>:</b>		
Commercial and financial:		
Fund Finance <sup>(2)</sup>	\$ 12,396	\$ 11,531
Leveraged loans	3,106	2,923
Overdrafts	1,796	1,894
Other <sup>(3)</sup>	2,262	2,688
Commercial real estate	<u>2,554</u>	<u>2,096</u>
Total domestic	<u>22,114</u>	<u>21,132</u>
<b>Foreign<sup>(1)</sup>:</b>		
Commercial and financial:		
Fund Finance <sup>(2)</sup>	7,778	4,432
Leveraged loans	1,328	1,242
Overdrafts	1,312	1,088
Other <sup>(3)</sup>	—	31
Total foreign	<u>10,418</u>	<u>6,793</u>
Total loans <sup>(2)</sup>	<u>32,532</u>	<u>27,925</u>
Allowance for credit losses	<u>(87)</u>	<u>(122)</u>
<b>Loans, net of allowance</b>	<b>\$ 32,445</b>	<b>\$ 27,803</b>

<sup>(1)</sup> Domestic and foreign categorization is based on the borrower's country of domicile.

<sup>(2)</sup> Fund finance loans include primarily \$9,147 million private equity capital call finance loans, \$6,397 million loans to real money funds, \$2,913 million collateralized loan obligations in loan form and \$1,387 million loans to business development companies as of December 31, 2021, compared to \$8,380 million private equity capital call finance loans, \$6,391 million loans to real money funds, and \$821 million loans to business development companies as of December 31, 2020.

<sup>(3)</sup> Includes \$1,784 million securities finance loans, \$455 million loans to municipalities and \$23 million other loans as of December 31, 2021 and \$1,911 million securities finance loans, \$754 million loans to municipalities and \$54 million other loans as of December 31, 2020.

We segregate our loans into two segments: commercial and financial loans and commercial real estate loans. We further classify commercial and financial loans as fund finance loans, leveraged loans, overdrafts and other loans. Fund finance loans are composed of revolving credit lines providing liquidity and leverage to mutual fund and private equity fund clients, as well as collateralized loan obligations in loan form. These classifications reflect their risk characteristics, their initial measurement attributes and the methods we use to monitor and assess credit risk.

Certain loans are pledged as collateral for access to the Federal Reserve's discount window. As of December 31, 2021 and December 31, 2020, the loans pledged as collateral totaled \$10.80 billion and \$8.07 billion, respectively.

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We generally place loans on non-accrual status once principal or interest payments are 90 days contractually past due, or earlier if management determines that full collection is not probable. Loans 90 days past due, but considered both well-secured and in the process of collection, may be excluded from non-accrual status. When we place a loan on non-accrual status, the accrual of interest is discontinued and previously recorded but unpaid interest is reversed and generally charged against interest income. For loans on non-accrual status, income is recognized on a cash basis after recovery of principal, if and when interest payments are received. Loans may be removed from non-accrual status when repayment is reasonably assured and performance under the terms of the loan has been demonstrated. As of both December 31, 2021 and December 31, 2020, we had no loans on non-accrual status.

We purchased \$2,913 million of collateralized loan obligations in loan form, which were all investment grade as of December 31, 2021.

We sold \$181 million of leveraged loans in 2021, of which \$8 million remained unsettled and was held for sale as of December 31, 2021. We recorded a charge-off against the allowance for these loans prior to the sale of these loans of \$2 million in 2021.

In certain circumstances, we restructure troubled loans by granting concessions to borrowers experiencing financial difficulty. Once restructured, the loans are generally considered impaired until their maturity, regardless of whether the borrowers perform under the modified terms of the loans. There were no loans modified in troubled debt restructurings during the years ended December 31, 2021 and 2020.

#### **Allowance for Credit Losses**

We recognize an allowance for credit losses in accordance with ASC 326 for financial assets held at amortized cost and off-balance sheet commitments. Prior to 2020, we recognized an allowance for loan losses under an incurred loss model. The allowance for credit losses is reviewed on a regular basis, and any provision for credit losses is recorded to reflect the amount necessary to maintain the allowance for expected credit losses at a level which represents what management does not expect to recover due to expected credit losses. For additional discussion on the allowance for credit losses for investment securities, please refer to Note 3.

When the allowance is recorded, a provision for credit loss expense is recognized in net income. The allowance for credit losses for financial assets (excluding investment securities, as discussed in Note 3) represents the portion of the amortized cost basis, including accrued interest for financial assets held at amortized cost, which management does not expect to recover due to expected credit losses and is presented on the statement of condition as an offset

to the amortized cost basis. The accrued interest balance is presented separately on the statement of condition within accrued interest and fees receivable. The allowance for off-balance sheet commitments is presented within other liabilities. Loans are charged off to the allowance for credit losses in the reporting period in which either an event occurs that confirms the existence of a loss on a loan, including a sale of a loan below its carrying value, or a portion of a loan is determined to be uncollectible.

The allowance for credit losses may be determined using various methods, including discounted cash flow methods, loss-rate methods, probability-of-default methods, and other quantitative or qualitative methods as determined by us. The method used to estimate expected credit losses may vary depending on the type of financial asset, our ability to predict the timing of cash flows, and the information available to us.

The allowance for credit losses as reported in our consolidated statement of condition is adjusted by provision for credit losses, which is reported in earnings, and reduced by the charge-off of principal amounts, net of recoveries.

We measure expected credit losses of financial assets on a collective (pool) basis when similar risk characteristic exist. Each reporting period, we assess whether the assets in the pool continue to display similar risk characteristics.

For a financial asset that does not share risk characteristics with other assets, expected credit losses are measured separately using one or more of the methods noted above. As of December 31, 2021, we had 9 loans for \$232 million in the commercial and financial segment that no longer met the similar risk characteristics of their collective pool. We recorded an allowance for credit losses of \$11 million as of December 31, 2021 on these loans.

When the asset is collateral dependent, which means when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are measured as the difference between the amortized cost basis of the asset and the fair value of the collateral, adjusted for the estimated costs to sell.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. In future periods, factors and forecasts then prevailing may result in significant changes in the allowance for credit losses in those future periods.

We estimate credit losses over the contractual life of the financial asset, while factoring in prepayment activity, where supported by data, over a

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three year reasonable and supportable forecast period. We utilize a baseline, upside and downside scenario which are applied based on a probability weighting, in order to better reflect management's expectation of expected credit losses given existing market conditions and the changes in the economic environment. The multiple scenarios are based on a three year horizon (or less depending on contractual maturity) and then revert linearly over a two year period to a ten-year historical average thereafter. The contractual term excludes expected extensions, renewals and modifications, but includes prepayment assumptions where applicable.

As part of our allowance methodology, we establish qualitative reserves to address any risks inherent in our portfolio that are not addressed through our quantitative reserve assessment. These factors may relate to, among other things, legislation changes or new regulation, credit concentration, loan markets, scenario weighting and overall model limitations. The qualitative adjustments are applied to our portfolio of financial instruments under the existing governance structure and are inherently judgmental.

#### **Credit Quality**

Credit quality for financial assets held at amortized cost is continuously monitored by management and is reflected within the allowance for credit losses.

We use an internal risk-rating system to assess our risk of credit loss for each loan. This risk-rating process incorporates the use of risk-rating tools in conjunction with management judgment. Qualitative and quantitative inputs are captured in a systematic manner, and following a formal review and approval process, an internal credit rating based on our credit scale is assigned.

When computing allowance levels, credit loss assumptions are estimated using a model that categorizes asset pools based on loss history, delinquency status and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. In future periods evaluations of the overall asset portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance and credit loss expense in those future periods.

Credit quality is assessed and monitored by evaluating various attributes in order to enable the earliest possible detection of any concerns with the customer's credit rating. The results of those

evaluations are utilized in underwriting new loans and transactions with counterparties and in our process for estimation of expected credit losses.

In assessing the risk rating assigned to each individual loan, among the factors considered are the borrower's debt capacity, collateral coverage, payment history and delinquency experience, financial flexibility and earnings strength, the expected amounts and source of repayment, the level and nature of contingencies, if any, and the industry and geography in which the borrower operates. These factors are based on an evaluation of historical and current information, and involve subjective assessment and interpretation. Credit counterparties are evaluated and risk-rated on an individual basis at least annually. Management considers the ratings to be current as of December 31, 2021.

Our internal risk rating methodology assigns risk ratings to counterparties ranging from Investment Grade, Speculative, Special Mention, Substandard, Doubtful and Loss.

- **Investment Grade:** Counterparties with strong credit quality and low expected credit risk and probability of default. Approximately 84% of our loans were rated as investment grade as of December 31, 2021 with external credit ratings, or equivalent, of "BBB-" or better.
- **Speculative:** Counterparties that have the ability to repay but face significant uncertainties, such as adverse business or financial circumstances that could affect credit risk or economic downturns. Loans to counterparties rated as speculative account for approximately 15% of our loans as of December 31, 2021, and are concentrated in leveraged loans. Approximately 94% of those leveraged loans have an external credit rating, or equivalent, of "BB" or "B" as of December 31, 2021.
- **Special Mention:** Counterparties with potential weaknesses that, if uncorrected, may result in deterioration of repayment prospects.
- **Substandard:** Counterparties with well-defined weakness that jeopardizes repayment with the possibility we will sustain some loss.
- **Doubtful:** Counterparties with well-defined weakness which make collection or liquidation in full highly questionable and improbable.
- **Loss:** Counterparties which are uncollectible or have little value.

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The following tables present our recorded loans to counterparties by risk rating, as noted above, as of the dates indicated:

**December 31, 2021**

(In millions)	Commercial and Financial	Commercial Real Estate	Total Loans
Investment grade	\$ 24,974	\$ 2,222	\$ 27,196
Speculative	4,714	270	4,984
Special mention	118	62	180
Substandard	164	—	164
<b>Total<sup>(1)(2)</sup></b>	<b>\$ 29,970</b>	<b>\$ 2,554</b>	<b>\$ 32,524</b>

**December 31, 2020**

(In millions)	Commercial and Financial	Commercial Real Estate	Total Loans
Investment grade	\$ 20,859	\$ 1,724	\$ 22,583
Speculative	4,852	372	5,224
Special mention	67	—	67
Substandard	34	—	34
Doubtful	17	—	17
<b>Total<sup>(1)</sup></b>	<b>\$ 25,829</b>	<b>\$ 2,096</b>	<b>\$ 27,925</b>

<sup>(1)</sup> Loans include \$3,108 million and \$2,982 million of overdrafts as of December 31, 2021 and December 31, 2020, respectively. Overdrafts are short-term in nature and do not present a significant credit risk to us. As of December 31, 2021, \$2,944 million overdrafts were investment grade and \$164 million overdrafts were speculative.

<sup>(2)</sup> Total does not include \$8 million of loans classified as held-for-sale as of December 31, 2021.

Financial assets held at amortized cost that are not loans are disaggregated based on product type. This includes our fees receivable balance, which have had no history of credit losses, and are evaluated collectively as a pool.

Securities purchased under a resale agreement and securities-financing within our principal business utilize the collateral maintenance provisions included within ASC 326. An allowance for credit losses is recognized for any remaining exposure based on counterparty type.

The allowance for credit losses for off-balance sheet credit exposures, recorded in accrued expenses and other liabilities in our consolidated statement of condition, represents management's estimate of credit losses primarily in outstanding letters and lines of credit and other credit-enhancement facilities provided to our clients and outstanding as of the balance sheet date. The allowance is evaluated quarterly by management. Factors considered in evaluating the appropriate level of this allowance are similar to those considered with respect to the allowance for credit losses on financial assets held at amortized cost. Provisions to maintain the allowance at a level considered by us to be appropriate to absorb estimated credit losses in outstanding facilities are recorded in the provision for credit losses in our consolidated statement of income.

The following table presents the amortized cost basis, by year of origination and credit quality indicator as of December 31, 2021. For origination years before the fifth annual period, we present the aggregate amortized cost basis of loans. For purchased loans, the date of issuance is used to determine the year of origination, not the date of acquisition. For modified, extended or renewed lending arrangements, we evaluate whether a credit event has occurred which would consider the loan to be a new arrangement.

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(In millions)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total <sup>(1)</sup>
Domestic loans:								
Commercial and financial:								
Risk Rating:								
Investment grade	\$ 1,988	\$ 59	\$ 347	\$ 2	\$ 37	\$ —	\$ 13,591	\$ 16,024
Speculative	1,096	351	706	425	350	7	343	3,278
Special mention	—	—	70	29	19	—	—	118
Substandard	—	5	71	56	8	—	—	140
Total commercial and financing	<u>\$ 3,084</u>	<u>\$ 415</u>	<u>\$ 1,194</u>	<u>\$ 512</u>	<u>\$ 414</u>	<u>\$ 7</u>	<u>\$ 13,934</u>	<u>\$ 19,560</u>
Commercial real estate:								
Risk Rating:								
Investment grade	\$ 580	\$ 129	\$ 383	\$ 657	\$ 276	\$ 197	\$ —	\$ 2,222
Speculative	24	49	149	20	—	28	—	270
Special mention	—	—	22	40	—	—	—	62
Total commercial real estate	<u>\$ 604</u>	<u>\$ 178</u>	<u>\$ 554</u>	<u>\$ 717</u>	<u>\$ 276</u>	<u>\$ 225</u>	<u>\$ —</u>	<u>\$ 2,554</u>
Non-U.S. loans:								
Commercial and financial:								
Risk Rating:								
Investment grade	\$ 4,087	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,863	\$ 8,950
Speculative	561	201	264	204	120	31	55	1,436
Substandard	—	—	24	—	—	—	24	—
Total commercial and financing	<u>\$ 4,648</u>	<u>\$ 201</u>	<u>\$ 264</u>	<u>\$ 228</u>	<u>\$ 120</u>	<u>\$ 31</u>	<u>\$ 4,918</u>	<u>\$ 10,410</u>
Total loans <sup>(2)</sup>	<u>\$ 8,336</u>	<u>\$ 794</u>	<u>\$ 2,012</u>	<u>\$ 1,457</u>	<u>\$ 810</u>	<u>\$ 263</u>	<u>\$ 18,852</u>	<u>\$ 32,524</u>

<sup>(1)</sup> Any reserve associated with accrued interest is not material. As of December 31, 2021, accrued interest receivable of \$86 million included in the amortized cost basis of loans has been excluded from the amortized cost basis within this table.

<sup>(2)</sup> Total does not include \$8 million of loans classified as held-for-sale as of December 31, 2021.

The following table presents the amortized cost basis, by year of origination and credit quality indicator as of December 31, 2020:

(In millions)	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total <sup>(1)</sup>
Domestic loans:								
Commercial and financial:								
Risk Rating:								
Investment grade	\$ 1,894	\$ 388	\$ 4	\$ 167	\$ 200	\$ —	\$ 12,836	\$ 15,489
Speculative	432	942	822	610	43	—	597	3,446
Special mention	—	28	—	39	—	—	—	67
Substandard	—	5	—	—	29	—	—	34
Total commercial and financing	<u>\$ 2,326</u>	<u>\$ 1,363</u>	<u>\$ 826</u>	<u>\$ 816</u>	<u>\$ 272</u>	<u>\$ —</u>	<u>\$ 13,433</u>	<u>\$ 19,036</u>
Commercial real estate:								
Risk Rating:								
Investment grade	\$ 178	\$ 383	\$ 688	\$ 277	\$ 197	\$ —	\$ —	\$ 1,723
Speculative	120	166	58	—	—	29	—	373
Total commercial real estate	<u>\$ 298</u>	<u>\$ 549</u>	<u>\$ 746</u>	<u>\$ 277</u>	<u>\$ 197</u>	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ 2,096</u>
Non-U.S. loans:								
Commercial and financial:								
Risk Rating:								
Investment grade	\$ 1,028	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,343	\$ 5,371
Speculative	283	401	346	162	26	66	121	1,405
Doubtful	—	—	—	17	—	—	—	17
Total commercial and financing	<u>\$ 1,311</u>	<u>\$ 401</u>	<u>\$ 346</u>	<u>\$ 179</u>	<u>\$ 26</u>	<u>\$ 66</u>	<u>\$ 4,464</u>	<u>\$ 6,793</u>
Total loans	<u>\$ 3,935</u>	<u>\$ 2,313</u>	<u>\$ 1,918</u>	<u>\$ 1,272</u>	<u>\$ 495</u>	<u>\$ 95</u>	<u>\$ 17,897</u>	<u>\$ 27,925</u>

<sup>(1)</sup> Any reserve associated with accrued interest is not material. As of December 31, 2020, accrued interest receivable of \$72 million included in the amortized cost basis of loans has been excluded from the amortized cost basis within this table.

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The following table presents the activity in the allowance for credit losses by portfolio and class for the years ended December 31, 2021 and 2020:

(In millions)	Year End December 31, 2021								
	Commercial and Financial				Available-for-sale securities	Held-to-Maturity Securities	Off-Balance Sheet Commitments	All Other	Total
	Leveraged Loans	Other Loans <sup>(1)</sup>	Commercial Real Estate						
<b>Allowance for credit losses:</b>									
Beginning balance	\$ 97	\$ 17	\$ 8	\$ —	\$ 3	\$ 22	\$ 1	\$ 148	
Charge-offs <sup>(2)</sup>	(2)	—	—	—	—	—	—	—	(2)
Provision	(29)	(6)	6	2	(3)	(2)	(1)	—	(33)
FX translation	(5)	1	—	—	—	(1)	—	—	(5)
Ending balance	<b>\$ 61</b>	<b>\$ 12</b>	<b>\$ 14</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 108</b>	

<sup>(1)</sup> Includes \$11 million allowance for credit losses on Fund Finance loans and \$1 million on other loans.

<sup>(2)</sup> Related to the sale of leveraged loans in 2021.

(In millions)	Year Ended December 31, 2020							
	Commercial and Financial				Held-to-Maturity Securities	Off-Balance Sheet Commitments	All Other	Total
	Leveraged Loans	Other Loans <sup>(1)</sup>	Commercial Real Estate					
<b>Allowance for credit losses:</b>								
Beginning balance	\$ 61	\$ 10	\$ 2	\$ —	—	\$ 19	\$ 1	\$ 93
Charge-offs <sup>(2)</sup>	(41)	—	—	—	—	—	—	(41)
Provision	70	7	6	3	—	2	—	88
FX translation	7	—	—	—	—	1	—	8
Ending balance	<b>\$ 97</b>	<b>\$ 17</b>	<b>\$ 8</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 22</b>	<b>\$ 1</b>	<b>\$ 148</b>

<sup>(1)</sup> Includes \$13 million allowance for credit losses on Fund Finance loans and \$4 million on other loans.

<sup>(2)</sup> Related to the sale of leveraged loans in 2020.

Loans are reviewed on a regular basis, and any provisions for credit losses that are recorded reflect management's estimate of the amount necessary to maintain the allowance for loan losses at a level considered appropriate to absorb expected credit losses in the loan portfolio. We recorded a \$33 million release of credit reserves in 2021, which reflected observed and expected improvements in both credit quality and economic outlook. Allowance estimates remain subject to continued model and economic uncertainty and management may use qualitative adjustments in the allowance estimates. If future data and forecasts deviate relative to the forecasts utilized to determine our allowance for credit losses as of December 31, 2021, or if credit risk migration is higher or lower than forecasted for reasons independent of the economic forecast, our allowance for credit losses will also change.

#### Note 5. Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net tangible and other intangible assets acquired. Other intangible assets represent purchased long-lived intangible assets, primarily client relationships, that can be distinguished from goodwill because of contractual rights or because the asset can be exchanged on its own or in combination with a related contract, asset or liability. Goodwill is not amortized, but is subject to at least annual evaluation for impairment. Other intangible assets, which are subject to evaluation for impairment, are mainly related to client relationships, which are amortized on a straight-line basis over periods ranging from five to twenty years, technology assets, which are amortized on a straight-line basis over periods ranging from three to ten years, and core deposit intangible assets, which are amortized on a straight-line basis over periods ranging from sixteen to twenty-two years, with such amortization recorded in other expenses in our consolidated statement of income.

Impairment of goodwill is deemed to exist if the carrying value of a reporting unit, including its allocation of goodwill and other intangible assets, exceeds its estimated fair value. Impairment of other intangible assets is deemed to exist if the balance of the other intangible asset exceeds the cumulative expected undiscounted net cash inflows related to the asset over its remaining estimated useful life. If these reviews determine that goodwill or other intangible assets are impaired, the value of the goodwill or the other intangible asset is written down through a charge to other expenses in our consolidated statement of income. There were no impairments to goodwill or other intangible assets in 2021, 2020 and 2019.

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The following table presents changes in the carrying amount of goodwill during the periods indicated:

(In millions)	Investment Servicing <sup>(1)</sup>	Investment Management	Total
<b>Goodwill:</b>			
<b>Ending balance December 31, 2019</b>	\$ 7,289	\$ 267	\$ 7,556
Foreign currency translation	124	3	127
<b>Ending balance December 31, 2020</b>	7,413	270	7,683
Acquisitions <sup>(2)</sup>	66	—	66
Divestitures <sup>(3)</sup>	(17)	—	(17)
Foreign currency translation	(108)	(3)	(111)
<b>Ending balance December 31, 2021</b>	<b>\$ 7,354</b>	<b>\$ 267</b>	<b>\$ 7,621</b>

<sup>(1)</sup> Investment Servicing includes our acquisition of CRD.

<sup>(2)</sup> Investment Servicing includes our acquisitions of the depositary bank and fund administrator activities of Fideuram Bank Luxembourg, a subsidiary of Intesa Sanpaolo, in the first quarter of 2021, with a total purchase price of approximately EUR 220 million or approximately \$258 million, and our acquisition of Mercatus, Inc. in the third quarter of 2021, with a total purchase price of approximately \$88 million. We accounted for these acquisitions as business combinations and, in accordance with ASC Topic 805, Business Combinations, we have recorded assets acquired and liabilities assumed at their respective fair values as of the acquisition date.

<sup>(3)</sup> In the second quarter of 2021, we sold a majority share of our WMS business.

The following table presents changes in the net carrying amount of other intangible assets during the periods indicated:

(In millions)	Investment Servicing <sup>(1)</sup>	Investment Management	Total
<b>Other intangible assets:</b>			
<b>Ending balance December 31, 2019</b>	\$ 1,908	\$ 122	\$ 2,030
Amortization	(206)	(28)	(234)
Foreign currency translation	31	—	31
<b>Ending balance December 31, 2020</b>	1,733	94	1,827
Acquisitions <sup>(2)</sup>	264	—	264
Amortization	(221)	(24)	(245)
Foreign currency translation	(30)	—	(30)
<b>Ending balance December 31, 2021</b>	<b>\$ 1,746</b>	<b>\$ 70</b>	<b>\$ 1,816</b>

<sup>(1)</sup> Investment Servicing includes our acquisition of CRD.

<sup>(2)</sup> Investment Servicing includes our acquisitions of the depositary bank and fund administrator activities of Fideuram Bank Luxembourg, a subsidiary of Intesa Sanpaolo, in the first quarter of 2021, with a total purchase price of approximately EUR 220 million or approximately \$258 million, and our acquisition of Mercatus, Inc. in the third quarter of 2021, with a total purchase price of approximately \$88 million. We accounted for these acquisitions as business combinations and, in accordance with ASC Topic 805, Business Combinations, we have recorded assets acquired and liabilities assumed at their respective fair values as of the acquisition date.

The following table presents the gross carrying amount, accumulated amortization and net carrying amount of other intangible assets by type as of the dates indicated:

December 31, 2021 (In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Other intangible assets:</b>			
Client relationships	\$ 2,786	\$ (1,497)	\$ 1,289
Technology	403	(142)	261
Core deposits	696	(451)	245
Other	96	(75)	21
<b>Total</b>	<b>\$ 3,981</b>	<b>\$ (2,165)</b>	<b>\$ 1,816</b>

December 31, 2020 (In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Other intangible assets:</b>			
Client relationships	\$ 2,704	\$ (1,450)	\$ 1,254
Technology	393	(113)	280
Core deposits	690	(425)	265
Other	107	(79)	28
<b>Total</b>	<b>\$ 3,894</b>	<b>\$ (2,067)</b>	<b>\$ 1,827</b>

Amortization expense related to other intangible assets was \$245 million, \$234 million and \$236 million in 2021, 2020 and 2019, respectively.

Expected future amortization expense for other intangible assets recorded as of December 31, 2021 is as follows:

(In millions)	Future Amortization
Years Ended December 31,	
2022	\$ 248
2023	246
2024	239
2025	214
2026	205

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**Note 6. Other Assets**

The following table presents the components of other assets as of the dates indicated:

(In millions)	December 31, 2021	December 31, 2020
Securities borrowed <sup>(1)</sup>	\$ 22,300	\$ 18,330
Derivative instruments, net	4,108	5,804
Bank-owned life insurance	3,554	3,479
Investments in joint ventures and other unconsolidated entities	3,162	3,095
Collateral, net	1,011	2,616
Prepaid expenses	612	383
Right-of-use assets	542	720
Income taxes receivable	317	367
Deferred tax assets, net of valuation allowance <sup>(2)</sup>	254	233
Accounts receivable	236	379
Receivable for securities settlement	213	117
Deposits with clearing organizations	62	58
Other <sup>(3)</sup>	1,244	929
<b>Total</b>	<b>\$ 37,615</b>	<b>\$ 36,510</b>

<sup>(1)</sup> Refer to Note 11, for further information on the impact of collateral on our financial statement presentation of securities borrowing and securities lending transactions.

<sup>(2)</sup> Deferred tax assets and liabilities recorded in our consolidated statement of condition are netted within the same tax jurisdiction.

<sup>(3)</sup> Includes advances of \$544 million and \$460 million as of December 31, 2021 and December 31, 2020, respectively.

**Note 7. Deposits**

We had \$1.31 billion and \$1.68 billion of time deposits outstanding as of December 31, 2021 and December 31, 2020, respectively, all of which were non-US time deposits. As of December 31, 2021 and December 31, 2020, all time deposits were in uninsured accounts not subject to any country specific deposit insurance limits. As of December 31, 2021, all time deposits are scheduled to mature in the next three months. Demand deposit overdrafts of \$3.11 billion and \$2.98 billion were included as loan balances at December 31, 2021 and 2020, respectively.

**Note 8. Short-Term Borrowings**

Our short-term borrowings include securities sold under repurchase agreements, short-term borrowings associated with our tax-exempt investment program (more fully described in Note 14) and other short-term borrowings, including those related to the money market liquidity facility.

Collectively, short-term borrowings had weighted-average interest rates of 0.31% and 0.93% in 2021 and 2020, respectively.

The following table presents information with respect to the amounts outstanding and weighted-average interest rates of the primary components of our short-term borrowings as of and for the years ended December 31:

(Dollars in millions)	Securities Sold Under Repurchase Agreements			Tax-Exempt Investment Program			Other		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Balance as of December 31	\$ 1,575	\$ 3,413	\$ 1,102	\$ —	\$ 616	\$ 823	\$ —	\$ 3,302	\$ —
Maximum outstanding as of any month-end	1,575	5,373	4,125	616	823	931	—	25,665	—
Average outstanding during the year	667	2,615	1,616	523	771	898	315	8,251	3
Weighted-average interest rate as of year-end	.00 %	.00 %	.00 %	.00 %	.23 %	1.75 %	.00 %	1.35 %	.00 %
Weighted-average interest rate during the year	(.00)	.14	1.90	.31	.78	1.51	.00	1.23	.01

Obligations to repurchase securities sold are recorded as a liability in our consolidated statement of condition. Applicable securities with a fair value of \$1.23 billion underlying the repurchase agreements remained in our investment securities portfolio as of December 31, 2021.

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The following table presents information about these securities and the carrying value of the related repurchase agreements, including accrued interest, as of December 31, 2021.

(In millions)	Securities Sold		Repurchase Agreements <sup>(1)</sup>	
	Amortized Cost	Fair Value	Amortized Cost	
Overnight maturity	\$ 1,226	\$ 1,227	\$ 1,575	

<sup>(1)</sup> Collateralized by investment securities.

We maintain an agreement with a clearing organization that enables us to net securities purchased under resale agreements and sold under repurchase agreements with counterparties that are also members of the clearing organization when specific netting criteria are met. As a result of this netting, the average balances of securities purchased under resale agreements and securities sold under repurchase agreements were reduced by \$62.15 billion in 2021 compared to the \$100.45 billion reduction in 2020. The decrease in average balance sheet netting, in 2021 compared to 2020, is primarily due to lower FICC repo volumes and lower short-term interest rates.

State Street Bank currently maintains a line of credit of CAD 1.40 billion, or approximately \$1.11 billion, as of December 31, 2021, to support its Canadian securities processing operations. The line of credit has no stated termination date and is cancellable by either party with prior notice. As of December 31, 2021 and 2020, there was no balance outstanding on this line of credit.

#### Note 9. Long-Term Debt

(Dollars in millions)					As of December 31,		
Issuance Date	Maturity Date	Coupon Rate	Seniority	Interest Due Dates	2021	2020	
<b>Parent Company and Non-Banking Subsidiary Issuances</b>							
August 18, 2015	August 18, 2025	3.55 %	Senior notes	2/18; 8/18 <sup>(1)</sup>	\$ 1,370	\$ 1,413	
November 19, 2013	November 20, 2023	3.7 %	Senior notes	5/20; 11/20 <sup>(1)</sup>	1,043	1,070	
December 15, 2014	December 16, 2024	3.3 %	Senior notes	6/16; 12/16 <sup>(1)</sup>	1,040	1,075	
May 15, 2013	May 15, 2023 <sup>(2)</sup>	3.1 %	Subordinated notes	5/15; 11/15	1,022	1,039	
November 1, 2019	November 1, 2025	2.354 %	Fixed-to-floating rate senior notes	5/1; 11/1 <sup>(1)</sup>	1,019	1,047	
March 3, 2021	March 3, 2031	2.2 %	Senior subordinated notes	3/3; 9/3	843	—	
January 24, 2020	January 24, 2030	2.400 %	Senior notes	1/24; 7/24	803	821	
May 19, 2016	May 19, 2026	2.65 %	Senior notes	5/19; 11/19 <sup>(1)</sup>	779	796	
May 15, 2017	May 15, 2023	2.653 %	Fixed-to-floating rate senior notes	5/15; 11/15	754	766	
March 30, 2020	March 30, 2023	2.825 %	Fixed-to-floating rate senior notes	3/30, 9/30	749	748	
December 3, 2018	December 3, 2029	4.141 %	Fixed-to-floating rate senior notes	6/3; 12/3	583	594	
November 1, 2019	November 1, 2034 <sup>(2)</sup>	3.031 %	Fixed-to-floating rate senior subordinated notes	5/1; 11/1	541	546	
December 3, 2018	December 3, 2024	3.776 %	Fixed-to-floating rate senior notes	6/3; 12/3 <sup>(1)</sup>	523	538	
April 30, 2007	June 15, 2047	Floating-rate	Junior subordinated debentures	3/15; 6/15; 9/15; 12/15	499	499	
March 30, 2020	March 30, 2026	2.901 %	Fixed-to-floating rate senior notes	3/30, 9/30	498	498	
March 30, 2020	March 30, 2031	3.152 %	Fixed-to-floating rate senior notes	3/30, 9/30	498	497	
November 18, 2021	November 18, 2027	1.684 %	Fixed-to-floating rate senior notes	5/18; 11/18	497	—	
June 21, 1996	June 15, 2026 <sup>(3)</sup>	7.35 %	Senior notes	6/15; 12/15	150	150	
May 15, 1998	May 15, 2028	Floating-rate	Junior subordinated debentures	2/15; 5/15; 8/15; 11/15	100	100	
March 7, 2011	March 7, 2021	4.375 %	Senior notes	3/7; 9/7 <sup>(1)</sup>	—	752	
May 19, 2016	May 19, 2021	1.95 %	Senior notes	5/19; 11/19 <sup>(1)</sup>	—	753	
<b>Parent Company and Banking Subsidiaries</b>							
Long-term finance leases					164	103	
Total long-term debt					\$ 13,475	\$ 13,805	

<sup>(1)</sup> We have entered into interest rate swap agreements, recorded as fair value hedges, to modify our interest expense on these senior and subordinated notes from a fixed rate to a floating rate. As of December 31, 2021 and 2020, the carrying value of long-term debt associated with these fair value hedges was \$450 million and \$691 million, respectively. Refer to Note 10 for additional information about fair value hedges.

<sup>(2)</sup> The subordinated notes qualify for inclusion in tier 2 regulatory capital under current federal regulatory capital guidelines.

<sup>(3)</sup> We may not redeem notes prior to their maturity.

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As of December 31, 2021 and 2020, long-term finance leases included \$164 million and \$103 million, respectively, related to information technology equipment leases entered into in 2021 and our One Lincoln Street headquarters building and related underground parking garage. Refer to Note 20 for additional information.

**Note 10. Derivative Financial Instruments**

We use derivative financial instruments to support our clients' needs and to manage our interest rate and currency risks. These financial instruments consist of FX contracts such as forwards, futures and options contracts; interest rate contracts such as interest rate swaps (cross currency and single currency) and futures; and other derivative contracts. Derivative instruments used for risk management purposes that are highly effective in offsetting the risk being hedged are generally designated as hedging instruments in hedge accounting relationships, while others are economic hedges and not designated in hedge accounting relationships. Derivatives in hedge accounting relationships are disclosed according to the type of hedge, such as, fair value, cash flow, or net investment. Derivatives designated as hedging instruments in hedge accounting relationships are carried at fair value with change in fair value recognized in the consolidated statement of income or other comprehensive income (OCI), as appropriate. Derivatives not designated in hedge accounting relationships include those derivatives entered into to support client needs and derivatives used to manage interest rate or foreign currency risk associated with certain assets and liabilities. Such derivatives are carried at fair value with changes in fair value recognized in the consolidated statement of income.

**Derivatives Not Designated as Hedging Instruments**

We provide foreign exchange forward contracts and options in support of our client needs, and also act as a dealer in the currency markets. As part of our trading activities, we assume positions in both the foreign exchange and interest rate markets by buying and selling cash instruments and using derivative financial instruments, including foreign exchange forward contracts, foreign exchange and interest rate options, interest rate forward contracts, and interest rate futures. The entire change in the fair value of our non-hedging derivatives utilized in our trading activities are recorded in foreign exchange trading services revenue, and the entire change in fair value of our non-hedging derivatives utilized in our asset-and-liability management activities are recorded in net interest income.

We enter into stable value wrap derivative contracts with unaffiliated stable value funds that allow a stable value fund to provide book value coverage to its participants. These derivatives contracts qualify as guarantees as described in Note 12.

We grant deferred cash awards to certain of our employees as part of our employee incentive compensation plans. We account for these awards as derivative financial instruments, as the underlying referenced shares are not equity instruments of ours. The fair value of these derivatives is referenced to the value of units in State Street-sponsored investment funds or funds sponsored by other unrelated entities. We re-measure these derivatives to fair value quarterly, and record the change in value in compensation and employee benefits expenses in our consolidated statement of income.

**Derivatives Designated as Hedging Instruments**

In connection with our asset-and-liability management activities, we use derivative financial instruments to manage our interest rate risk and foreign currency risk for certain assets and liabilities. At both the inception of the hedge and on an ongoing basis, we formally assess and document the effectiveness of a derivative designated in a hedging relationship and the likelihood that the derivative will be an effective hedge in future periods. We discontinue hedge accounting prospectively when we determine that the derivative is no longer highly effective in offsetting changes in fair value or cash flows of the underlying risk being hedged, the derivative expires, terminates or is sold, or management discontinues the hedge designation.

The risk management objective of a highly effective hedging strategy that qualifies for hedge accounting must be formally documented. The hedge documentation includes the derivative hedging instrument, the asset or liability or forecasted transaction, type of risk being hedged and method for assessing hedge effectiveness of the derivative prospectively and retrospectively. We use quantitative methods including regression analysis and cumulative dollar offset method, comparing the change in the fair value of the derivative to the change in fair value or the cash flows of the hedged item. We may also utilize qualitative methods such as matching critical terms and evaluation of any changes in those critical terms. Effectiveness is assessed and documented quarterly and if determined that the derivative is not highly effective at hedging the designated risk hedge accounting is discontinued.

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**Fair Value Hedges**

Derivatives designated as fair value hedges are utilized to mitigate the risk of changes in the fair values of recognized assets and liabilities, including long-term debt and AFS securities. We use interest rate contracts in this manner to manage our exposure to changes in the fair value of hedged items caused by changes in interest rates.

Changes in the fair value of the derivative and changes in fair value of the hedged item due to changes in the hedged risk are recognized in earnings in the same line item. If a hedge is terminated, but the hedged item was not derecognized, all remaining adjustments to the carrying amount of the hedged item are amortized over a period that is consistent with the amortization of other discounts or premiums associated with the hedged item.

**Cash Flow Hedges**

Derivatives designated as cash flow hedges are utilized to offset the variability of cash flows of recognized assets or liabilities or forecasted transactions. We have entered into FX contracts to hedge the change in cash flows attributable to FX movements in foreign currency denominated investment securities. Additionally, we have entered into interest rate swap agreements to hedge the forecasted cash flows associated with LIBOR indexed floating-rate loans. The interest rate swaps synthetically convert the loan interest receipts from a variable-rate to a fixed-rate, thereby mitigating the risk attributable to changes in the LIBOR benchmark rate.

Changes in fair value of the derivatives designated as cash flow hedges are initially recorded in AOCI and then reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings and are presented in the same income statement line item as the earnings effect of the hedged item. If the hedge relationship is terminated, the change in fair value on the derivative recorded in AOCI is reclassified into earnings consistent with the timing of the hedged item. For hedge relationships that are discontinued because a forecasted transaction is not expected to occur according to the original hedge terms, any related derivative values recorded in AOCI are immediately recognized in earnings. The net gain associated with cash flow hedges expected to be

reclassified from AOCI within 12 months of December 31, 2021 is approximately \$60 million. The maximum length of time over which forecasted cash flows are hedged is 5 years.

**Net Investment Hedges**

Derivatives categorized as net investment hedges are entered into to protect the net investment in our foreign operations against adverse changes in exchange rates. We use FX forward contracts to convert the foreign currency risk to U.S. dollars to mitigate our exposure to fluctuations in FX rates. The changes in fair value of the FX forward contracts are recorded, net of taxes, in the foreign currency translation component of OCI.

The following table presents the aggregate contractual, or notional, amounts of derivative financial instruments including those entered into for trading and asset-and-liability management activities as of the dates indicated:

(In millions)	December 31, 2021	December 31, 2020
<b>Derivatives not designated as hedging instruments:</b>		
Interest rate contracts:		
Futures	\$ 9,604	\$ 2,842
Foreign exchange contracts:		
Forward, swap and spot	2,569,449	2,640,989
Options purchased	328	946
Options written	210	661
Futures	2,359	1,980
Other:		
Stable value contracts <sup>(1)</sup>	32,868	32,359
Deferred value awards <sup>(2)</sup>	308	332
<b>Derivatives designated as hedging instruments:</b>		
Interest rate contracts:		
Swap agreements	15,100	7,449
Foreign exchange contracts:		
Forward and swap	6,700	5,221

<sup>(1)</sup> The notional value of the stable value contracts represents our maximum exposure. However, exposure to various stable value contracts is generally contractually limited to substantially lower amounts than the notional values.

<sup>(2)</sup> Represents grants of deferred value awards to employees; refer to discussion in this note under "Derivatives Not Designated as Hedging Instruments."

Notional amounts are provided here as an indication of the volume of our derivative activity and serve as a reference to calculate the fair values of the derivative.

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The following table presents the fair value of derivative financial instruments, excluding the impact of master netting agreements, recorded in our consolidated statement of condition as of the dates indicated. The impact of master netting agreements is provided in Note 11.

(In millions)	Derivative Assets <sup>(1)</sup>		Derivative Liabilities <sup>(2)</sup>	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Derivatives not designated as hedging instruments:</b>				
Foreign exchange contracts	\$ 15,126	\$ 25,939	\$ 15,790	\$ 25,811
Other derivative contracts	—	—	301	157
Total	\$ 15,126	\$ 25,939	\$ 16,091	\$ 25,968
<b>Derivatives designated as hedging instruments:</b>				
Foreign exchange contracts	\$ 59	\$ 4	\$ 35	\$ 116
Interest rate contracts	2	1	—	42
Total	\$ 61	\$ 5	\$ 35	\$ 158

<sup>(1)</sup> Derivative assets are included within other assets in our consolidated statement of condition.

<sup>(2)</sup> Derivative liabilities are included within other liabilities in our consolidated statement of condition.

The following table presents the impact of our use of derivative financial instruments on our consolidated statement of income for the periods indicated:

(In millions)	Location of Gain (Loss) on Derivative in Consolidated Statement of Income	Years Ended December 31,		
		2021	2020	2019
<b>Derivatives not designated as hedging instruments:</b>				
Foreign exchange contracts	Foreign exchange trading services revenue	\$ 811	\$ 922	\$ 630
Foreign exchange contracts	Interest expense	68	63	(153)
Interest rate contracts	Foreign exchange trading services revenue	3	3	(3)
Other derivative contracts <sup>(1)</sup>	Compensation and employee benefits	(332)	(189)	(205)
Total		\$ 550	\$ 799	\$ 269

<sup>(1)</sup> Amount in 2021 reflects a deferred compensation expense acceleration of \$147 million associated with an amendment of certain outstanding cash settled deferred incentive compensation awards.

The following tables show the carrying amount and associated cumulative basis adjustments related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities in fair value hedging relationships:

(In millions)	Carrying Amount of Hedged Assets/Liabilities	December 31, 2021	
		Active	De-designated <sup>(1)</sup>
<b>Long-term debt</b>			
Long-term debt	\$ 9,026	\$ (64)	\$ 514
Available-for-sale securities	3,551	—	24
<b>Available-for-sale securities</b>			
(In millions)	Carrying Amount of Hedged Assets/Liabilities	December 31, 2020	
		Active	De-designated <sup>(1)</sup>
<b>Long-term debt</b>			
Long-term debt	\$ 10,519	\$ 3	\$ 688
Available-for-sale securities	2,330	2	43

<sup>(1)</sup> Represents hedged items no longer designated in qualifying fair value hedging relationships for which an associated basis adjustment exists at the balance sheet date.

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As of December 31, 2021 and December 31, 2020, the total notional amount of the interest rate swaps of fair value hedges was \$6.95 billion and \$2.60 billion, respectively.

The following tables present the impact of our use of derivative financial instruments on our consolidated statement of income for the periods indicated:

(In millions)	Years Ended December 31,			Hedged Item in Fair Value Hedging Relationship	Location of Gain (Loss) on Hedged Item in Consolidated Statement of Income	Years Ended December 31,			
	2021	2020	2019			2021	2020	2019	
	Location of Gain (Loss) on Derivative in Consolidated Statement of Income	Amount of Gain (Loss) on Derivative Recognized in Consolidated Statement of Income							
<b>Derivatives designated as fair value hedges:</b>									
Interest rate contracts	Net interest income	\$ 14	\$ 1	\$ (4)	Available-for-sale securities <sup>(1)</sup>	Net interest income	\$ (19)	\$ (4)	\$ 2
Interest rate contracts	Net interest income	<u>(76)</u>	<u>566</u>	<u>266</u>	Long-term debt	Net interest income	<u>75</u>	<u>(559)</u>	<u>(255)</u>
Total		<u><u>\$ (62)</u></u>	<u><u>\$ 567</u></u>	<u><u>\$ 262</u></u>			<u><u>\$ 56</u></u>	<u><u>\$ (563)</u></u>	<u><u>\$ (253)</u></u>

<sup>(1)</sup> In 2021, 2020 and 2019, \$16 million, \$3 million and \$18 million, respectively, of net unrealized gains on AFS investment securities designated in fair value hedges was recognized in OCI.

(In millions)	Years Ended December 31,			Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Years Ended December 31,			
	2021	2020	2019		2021	2020	2019	
	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative				Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income			
<b>Derivatives designated as cash flow hedges:</b>								
Interest rate contracts	\$ (78)	\$ 176	\$ 8	Net interest income	\$ 84	\$ 49	\$ (10)	
Foreign exchange contracts	<u>91</u>	<u>(22)</u>	<u>43</u>	Net interest income	<u>11</u>	<u>23</u>	<u>27</u>	
Total derivatives designated as cash flow hedges	<u><u>\$ 13</u></u>	<u><u>\$ 154</u></u>	<u><u>\$ 51</u></u>		<u><u>\$ 95</u></u>	<u><u>\$ 72</u></u>	<u><u>\$ 17</u></u>	
<b>Derivatives designated as net investment hedges:</b>								
Foreign exchange contracts	\$ 272	\$ (250)	\$ 30	Gains (Losses) related to investment securities, net	\$ —	\$ —	\$ —	
Total derivatives designated as net investment hedges	<u>272</u>	<u>(250)</u>	<u>30</u>		<u>—</u>	<u>—</u>	<u>—</u>	
Total	<u><u>\$ 285</u></u>	<u><u>\$ (96)</u></u>	<u><u>\$ 81</u></u>		<u><u>\$ 95</u></u>	<u><u>\$ 72</u></u>	<u><u>\$ 17</u></u>	

### **Derivatives Netting and Credit Contingencies**

#### *Netting*

Derivatives receivable and payable as well as cash collateral from the same counterparty are netted in the consolidated statement of condition for those counterparties with whom we have legally binding master netting agreements in place. In addition to cash collateral received and transferred presented on a net basis, we also receive and transfer collateral in the form of securities, which mitigate credit risk but are not eligible for netting. Additional information on netting is provided in Note 11.

#### *Credit Contingencies*

Certain of our derivatives are subject to master netting agreements with our derivative counterparties containing credit risk-related contingent features, which requires us to maintain an investment grade credit rating with the various credit rating agencies. If our rating falls below investment grade, we would be in violation of the provisions, and counterparties to the derivatives could request immediate payment or demand full overnight collateralization on derivatives instruments in net liability positions. The aggregate fair value of all derivatives with credit contingent features and in a net liability position as of December 31, 2021 totaled approximately \$3.36 billion, against which we provided \$1.71 billion of collateral in the normal course of business. If our credit related contingent features underlying these agreements were triggered as of December 31, 2021, the maximum additional collateral we would be required to post to our counterparties is approximately \$1.65 billion.

**STATE STREET CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 11. Offsetting Arrangements**

Certain of our transactions are subject to master netting agreements that allow us to net receivables and payables by contract and settlement type. For those legally enforceable contracts, we net receivables and payables with the same counterparty on our statement of condition.

In addition to netting receivables and payables with our derivatives counterparty where a legal and enforceable netting arrangement exists, we also net related cash collateral received and transferred up to the fair value exposure amount.

With respect to our securities financing arrangements, we net balances outstanding on our consolidated statement of condition for those transactions that met the netting requirements and were transacted under a legally enforceable netting arrangement with the counterparty.

Securities received as collateral under securities financing or derivatives transactions can be transferred as collateral in many instances. The securities received as proceeds under secured lending transactions are recorded at a value that approximates fair value in other assets in our consolidated statement of condition with a related liability to return the collateral, if we have the right to transfer or re-pledge the collateral.

As of December 31, 2021 and December 31, 2020, the value of securities received as collateral from third parties where we are permitted to transfer or re-pledge the securities totaled \$1.60 billion and \$6.48 billion, respectively, and the fair value of the portion that had been transferred or re-pledged as of the same dates was nil and \$3.88 billion, respectively.

The following tables present information about the offsetting of assets related to derivative contracts and secured financing transactions, as of the dates indicated:

	December 31, 2021					
	Gross Amounts of Recognized Assets <sup>(1)(2)</sup>	Gross Amounts Offset in Statement of Condition <sup>(3)</sup>	Net Amounts of Assets Presented in Statement of Condition	Gross Amounts Not Offset in Statement of Condition		
(In millions)				Cash and Securities Received <sup>(4)</sup>	Net Amount <sup>(5)</sup>	
<b>Derivatives:</b>						
Foreign exchange contracts	\$ 15,185	\$ (9,113)	\$ 6,072	\$ —	\$ 6,072	
Interest rate contracts <sup>(6)</sup>	2	—	2	—	—	2
Cash collateral and securities netting	NA	(1,966)	(1,966)	(723)	(2,689)	
Total derivatives	15,187	(11,079)	4,108	(723)	3,385	
<b>Other financial instruments:</b>						
Resale agreements and securities borrowing <sup>(7)(8)</sup>	102,375	(77,063)	25,312	(25,096)	216	
Total derivatives and other financial instruments	\$ 117,562	\$ (88,142)	\$ 29,420	\$ (25,819)	\$ 3,601	

**STATE STREET CORPORATION**  
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**Assets:**

(In millions)	December 31, 2020					<b>Gross Amounts Not Offset in Statement of Condition</b>	
	<b>Gross Amounts of Recognized Assets<sup>(1)(2)</sup></b>	<b>Gross Amounts Offset in Statement of Condition<sup>(3)</sup></b>	<b>Net Amounts of Assets Presented in Statement of Condition</b>	<b>Cash and Securities Received<sup>(4)</sup></b>	<b>Net Amount<sup>(5)</sup></b>		
<b>Derivatives:</b>							
Foreign exchange contracts	\$ 25,943	\$ (14,271)	\$ 11,672	\$ —	\$ 11,672	\$ 11,672	
Interest rate contracts <sup>(6)</sup>	1	—	1	—	—	1	
Cash collateral and securities netting	NA	(5,869)	(5,869)	(1,105)	(6,974)	(6,974)	
Total derivatives	25,944	(20,140)	5,804	(1,105)	4,699	4,699	
<b>Other financial instruments:</b>							
Resale agreements and securities borrowing <sup>(7)(8)</sup>	174,461	(153,025)	21,436	(20,568)	868	868	
Total derivatives and other financial instruments	<u>\$ 200,405</u>	<u>\$ (173,165)</u>	<u>\$ 27,240</u>	<u>\$ (21,673)</u>	<u>\$ 5,567</u>	<u>\$ 5,567</u>	

<sup>(1)</sup> Amounts include all transactions regardless of whether or not they are subject to an enforceable netting arrangement.

<sup>(2)</sup> Refer to Note 1 and Note 2 for additional information about the measurement basis of derivative instruments.

<sup>(3)</sup> Amounts subject to netting arrangements which have been determined to be legally enforceable and eligible for netting in the consolidated statement of condition.

<sup>(4)</sup> Includes securities in connection with our securities borrowing transactions.

<sup>(5)</sup> Includes amounts secured by collateral not determined to be subject to enforceable netting arrangements.

<sup>(6)</sup> Variation margin payments presented as settlements rather than collateral.

<sup>(7)</sup> Included in the \$25.31 billion as of December 31, 2021 were \$3.01 billion of resale agreements and \$22.30 billion of collateral provided related to securities borrowing. Included in the \$21.44 billion as of December 31, 2020 were \$3.11 billion of resale agreements and \$18.33 billion of collateral provided related to securities borrowing. Resale agreements and collateral provided related to securities borrowing were recorded in securities purchased under resale agreements and other assets, respectively, in our consolidated statement of condition. Refer to Note 12 for additional information with respect to principal securities finance transactions.

<sup>(8)</sup> Offsetting of resale agreements primarily relates to our involvement in FICC, where we settle transactions on a net basis for payment and delivery through the Fedwire system.

NA Not applicable

The following tables present information about the offsetting of liabilities related to derivative contracts and secured financing transactions, as of the dates indicated:

**Liabilities:**

(In millions)	December 31, 2021					<b>Gross Amounts Not Offset in Statement of Condition</b>	
	<b>Gross Amounts of Recognized Liabilities<sup>(1)(2)</sup></b>	<b>Gross Amounts Offset in Statement of Condition<sup>(3)</sup></b>	<b>Net Amounts of Liabilities Presented in Statement of Condition</b>	<b>Cash and Securities Received<sup>(4)</sup></b>	<b>Net Amount<sup>(5)</sup></b>		
<b>Derivatives:</b>							
Foreign exchange contracts	\$ 15,825	\$ (9,113)	\$ 6,712	\$ —	\$ 6,712	\$ 6,712	
Interest rate contracts <sup>(6)</sup>	—	—	—	—	—	—	
Other derivative contracts	301	—	301	—	—	301	
Cash collateral and securities netting	NA	(1,282)	(1,282)	(989)	(2,271)	(2,271)	
Total derivatives	<u>16,126</u>	<u>(10,395)</u>	<u>5,731</u>	<u>(989)</u>	<u>4,742</u>	<u>4,742</u>	
<b>Other financial instruments:</b>							
Repurchase agreements and securities lending <sup>(7)(8)</sup>	82,674	(77,063)	5,611	(4,066)	1,545	1,545	
Total derivatives and other financial instruments	<u>\$ 98,800</u>	<u>\$ (87,458)</u>	<u>\$ 11,342</u>	<u>\$ (5,055)</u>	<u>\$ 6,287</u>	<u>\$ 6,287</u>	

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**Liabilities:**

(In millions)	December 31, 2020						Gross Amounts Not Offset in Statement of Condition			
	Gross Amounts of Recognized Liabilities <sup>(1)(2)</sup>		Gross Amounts Offset in Statement of Condition <sup>(3)</sup>		Net Amounts of Liabilities Presented in Statement of Condition					
	Cash and Securities Received <sup>(4)</sup>	Net Amount <sup>(5)</sup>								
<b>Derivatives:</b>										
Foreign exchange contracts	\$ 25,927	\$ —	(14,271)	\$ 11,656	\$ —	\$ 11,656	—	\$ 11,656		
Interest rate contracts <sup>(6)</sup>	42	—	—	42	—	—	—	42		
Other derivative contracts	157	—	—	157	—	—	—	157		
Cash collateral and securities netting	NA	(1,287)	(1,287)	(1,287)	(1,732)	(1,732)	(3,019)			
Total derivatives	26,126	(15,558)	10,568	(1,732)	(1,732)	8,836				
<b>Other financial instruments:</b>										
Repurchase agreements and securities lending <sup>(7)(8)</sup>	165,793	(153,025)	12,768	(12,448)	(12,448)	320				
Total derivatives and other financial instruments	\$ 191,919	\$ (168,583)	\$ 23,336	\$ (14,180)	\$ (14,180)	\$ 9,156				

<sup>(1)</sup> Amounts include all transactions regardless of whether or not they are subject to an enforceable netting arrangement.

<sup>(2)</sup> Refer to Note 1 and Note 2 for additional information about the measurement basis of derivative instruments.

<sup>(3)</sup> Amounts subject to netting arrangements which have been determined to be legally enforceable and eligible for netting in the consolidated statement of condition.

<sup>(4)</sup> Includes securities provided in connection with our securities lending transactions.

<sup>(5)</sup> Includes amounts secured by collateral not determined to be subject to enforceable netting arrangements.

<sup>(6)</sup> Variation margin payments presented as settlements rather than collateral.

<sup>(7)</sup> Included in the \$5.61 billion as of December 31, 2021 were \$1.57 billion of repurchase agreements and \$4.04 billion of collateral received related to securities lending transactions. Included in the \$12.77 billion as of December 31, 2020 were \$3.41 billion of repurchase agreements and \$9.36 billion of collateral received related to securities lending transactions. Repurchase agreements and collateral received related to securities lending were recorded in securities sold under repurchase agreements and accrued expenses and other liabilities, respectively, in our consolidated statement of condition. Refer to Note 12 for additional information with respect to principal securities finance transactions.

<sup>(8)</sup> Offsetting of repurchase agreements primarily relates to our involvement in FICC, where we settle transactions on a net basis for payment and delivery through the Fedwire system.

NA Not applicable

The securities transferred under resale and repurchase agreements typically are U.S. Treasury, agency and agency MBS. In our principal securities borrowing and lending arrangements, the securities transferred are predominantly equity securities and some corporate debt securities. The fair value of the securities transferred may increase in value to an amount greater than the amount received under our repurchase and securities lending arrangements, which exposes us to counterparty risk. We require the review of the price of the underlying securities in relation to the carrying value of the repurchase agreements and securities lending arrangements on a daily basis and when appropriate, adjust the cash or security to be obtained or returned to counterparties that is reflective of the required collateral levels.

The following table summarizes our repurchase agreements and securities lending transactions by category of collateral pledged and remaining maturity of these agreements as of the periods indicated:

(In millions)	As of December 31, 2021					As of December 31, 2020				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
<b>Repurchase agreements:</b>										
U.S. Treasury and agency securities	\$ 75,266	\$ —	\$ —	\$ —	\$ 75,266	\$ 152,140	\$ —	\$ —	\$ —	\$ 152,140
Total	75,266	—	—	—	75,266	152,140	—	—	—	152,140
<b>Securities lending transactions:</b>										
US Treasury and agency securities	—	—	—	—	—	—	—	—	—	—
Corporate debt securities	92	—	—	—	92	110	—	—	—	110
Equity securities	5,964	24	11	1,316	7,315	7,578	56	—	1,156	8,790
Other <sup>(1)</sup>	1	—	—	—	1	4,753	—	—	—	4,753
Total	6,057	24	11	1,316	7,408	12,441	56	—	1,156	13,653
<b>Gross amount of recognized liabilities for repurchase agreements and securities lending</b>										
	\$ 81,323	\$ 24	\$ 11	\$ 1,316	\$ 82,674	\$ 164,581	\$ 56	\$ —	\$ 1,156	\$ 165,793

<sup>(1)</sup> Represents a security interest in underlying client assets related to our enhanced custody business, which assets clients have allowed us to transfer and re-pledge.

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**Note 12. Commitments and Guarantees**

The following table presents the aggregate gross contractual amounts of our off-balance sheet commitments and off-balance sheet guarantees as of the dates indicated:

(In millions)	December 31, 2021	December 31, 2020
<b>Commitments:</b>		
Unfunded credit facilities	\$ 33,026	\$ 34,213
<b>Guarantees<sup>(1)</sup>:</b>		
Indemnified securities financing	\$ 385,740	\$ 440,875
Standby letters of credit	3,237	3,330

<sup>(1)</sup> The potential losses associated with these guarantees equal the gross contractual amounts and do not consider the value of any collateral or reflect any participations to independent third parties.

**Unfunded Credit Facilities**

Unfunded credit facilities consist primarily of liquidity facilities provided to our fund and municipal counterparties, as well as commitments to purchase commercial real estate and leveraged loans that have not yet settled.

As of December 31, 2021, approximately 76% of our unfunded commitments to extend credit expire within one year. Since many of these commitments are expected to expire or renew without being drawn upon, the gross contractual amounts do not necessarily represent our future cash requirements.

**Indemnified Securities Financing**

On behalf of our clients, we lend their securities, as agent, to brokers and other institutions. In most circumstances, we indemnify our clients for the fair market value of those securities against a failure of the borrower to return such securities. We require the borrowers to maintain collateral in an amount in excess of 100% of the fair market value of the securities borrowed. Securities on loan and the collateral are revalued daily to determine if additional collateral is necessary or if excess collateral is required to be returned to the borrower. Collateral received in connection with our securities lending services is held by us as agent and is not recorded in our consolidated statement of condition.

The cash collateral held by us as agent is invested on behalf of our clients. In certain cases, the cash collateral is invested in third-party repurchase agreements, for which we indemnify the client against the loss of the principal invested. We require the counterparty to the indemnified repurchase agreement to provide collateral in an amount in excess of 100% of the amount of the repurchase agreement. In our role as agent, the indemnified repurchase agreements and the related collateral held by us are not recorded in our consolidated statement of condition.

The following table summarizes the aggregate fair values of indemnified securities financing and related collateral, as well as collateral invested in indemnified repurchase agreements, as of the dates indicated:

(In millions)	December 31, 2021	December 31, 2020
Fair value of indemnified securities financing	\$ 385,740	\$ 440,875
Fair value of cash and securities held by us, as agent, as collateral for indemnified securities financing	404,121	463,273
Fair value of collateral for indemnified securities financing invested in indemnified repurchase agreements	61,560	54,432
Fair value of cash and securities held by us or our agents as collateral for investments in indemnified repurchase agreements	67,014	58,092

In certain cases, we participate in securities finance transactions as a principal. As a principal, we borrow securities from the lending client and then lend such securities to the subsequent borrower, either our client or a broker/dealer. Our right to receive and obligation to return collateral in connection with our securities lending transactions are recorded in other assets and other liabilities, respectively, in our consolidated statement of condition. As of December 31, 2021 and December 31, 2020, we had approximately \$22.30 billion and \$18.33 billion, respectively, of collateral provided and approximately \$4.04 billion and \$9.36 billion, respectively, of collateral received from clients in connection with our participation in principal securities finance transactions.

**Stable Value Protection**

Stable value funds wrapped by us are high quality diversified portfolios of short intermediate duration fixed-income investments. Stable value contracts are derivative contracts that also qualify as guarantees. The notional amount under non-hedging derivatives, provided in Note 10, generally represents our maximum exposure under these derivatives contracts. However, exposure to various stable value contracts is contractually limited to substantially lower amounts than the notional values, which represent the total assets of the stable value funds.

**Standby Letters of Credit**

Standby letters of credit provide credit enhancement to our municipal clients to support the issuance of capital markets financing.

**FICC Guarantee**

As a sponsoring member in the FICC member program, we provide a guarantee to FICC in the event a customer fails to perform its obligations under a transaction. In order to minimize the risk associated with this guarantee, sponsored members acting as

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buyers generally grant a security interest in the subject securities received under and held on their behalf by State Street. For additional information on our repurchase and reverse repurchase agreements, please refer to Note 11 to the consolidated financial statements in this Form 10-K.

**Note 13. Contingencies**

**Legal and Regulatory Matters**

In the ordinary course of business, we and our subsidiaries are involved in disputes, litigation, and governmental or regulatory inquiries and investigations, both pending and threatened. These matters, if resolved adversely against us or settled, may result in monetary awards or payments, fines and penalties or require changes in our business practices. The resolution or settlement of these matters is inherently difficult to predict. Based on our assessment of these pending matters, we do not believe that the amount of any judgment, settlement or other action arising from any pending matter is likely to have a material adverse effect on our consolidated financial condition. However, an adverse outcome or development in certain of the matters described below could have a material adverse effect on our consolidated results of operations for the period in which such matter is resolved, or an accrual is determined to be required, on our consolidated financial condition, or on our reputation.

We evaluate our needs for accruals of loss contingencies related to legal and regulatory proceedings on a case-by-case basis. When we have a liability that we deem probable, and we deem the amount of such liability can be reasonably estimated as of the date of our consolidated financial statements, we accrue our estimate of the amount of loss. We also consider a loss probable and establish an accrual when we make, or intend to make, an offer of settlement. Once established, an accrual is subject to subsequent adjustment as a result of additional information. The resolution of legal and regulatory proceedings and the amount of reasonably estimable loss (or range thereof) are inherently difficult to predict, especially in the early stages of proceedings. Even if a loss is probable, an amount (or range) of loss might not be reasonably estimated until the later stages of the proceeding due to many factors such as the presence of complex or novel legal theories, the discretion of governmental authorities in seeking sanctions or negotiating resolutions in civil and criminal matters, the pace and timing of discovery and other assessments of facts and the procedural posture of the matter (collectively, "factors influencing reasonable estimates").

As of December 31, 2021, our aggregate accruals for loss contingencies for legal, regulatory and related matters totaled approximately \$15 million,

including potential fines by government agencies and civil litigation with respect to the matters specifically discussed below. To the extent that we have established accruals in our consolidated statement of condition for probable loss contingencies, such accruals may not be sufficient to cover our ultimate financial exposure associated with any settlements or judgments. Any such ultimate financial exposure, or proceedings to which we may become subject in the future, could have a material adverse effect on our businesses, on our future consolidated financial statements or on our reputation.

As of December 31, 2021, for those matters for which we have accrued probable loss contingencies (including the Invoicing Matter described below) and for other matters for which loss is reasonably possible (but not probable) in future periods, and for which we are able to estimate a range of reasonably possible loss, our estimate of the aggregate reasonably possible loss (in excess of any accrued amounts) ranges up to approximately \$45 million. Our estimate with respect to the aggregate reasonably possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions and known and unknown uncertainties, which may change quickly and significantly from time to time, particularly if and as we engage with applicable governmental agencies or plaintiffs in connection with a proceeding. Also, the matters underlying the reasonably possible loss will change from time to time. As a result, actual results may vary significantly from the current estimate.

In certain pending matters, it is not currently feasible to reasonably estimate the amount or a range of reasonably possible loss, and such losses, which may be significant, are not included in the estimate of reasonably possible loss discussed above. This is due to, among other factors, the factors influencing reasonable estimates described above. An adverse outcome in one or more of the matters for which we have not estimated the amount or a range of reasonably possible loss, individually or in the aggregate, could have a material adverse effect on our businesses, on our future consolidated financial statements or on our reputation. Given that our actual losses from any legal or regulatory proceeding for which we have provided an estimate of the reasonably possible loss could significantly exceed such estimate, and given that we cannot estimate reasonably possible loss for all legal and regulatory proceedings as to which we may be subject now or in the future, no conclusion as to our ultimate exposure from current pending or potential legal or regulatory proceedings should be drawn from the current estimate of reasonably possible loss.

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The following discussion provides information with respect to significant legal, governmental and regulatory matters.

*Invoicing Matter*

In 2015, we determined that we had incorrectly invoiced clients for certain expenses. We have reimbursed most of our affected customers for those expenses, and we have implemented enhancements to our billing processes. In connection with our enhancements to our billing processes, we continue to review historical billing practices and may from time to time identify additional remediation. In 2017, we identified an additional area of incorrect expense billing associated with mailing services in our retirement services business. We currently expect the cumulative total of our payments to customers for these invoicing errors, including the error in the retirement services business, to be at least \$355 million, all of which has been paid or is accrued. However, we may identify additional remediation costs.

In March 2017, a purported class action was commenced against us alleging that our invoicing practices violated duties owed to retirement plan customers under the Employee Retirement Income Security Act. In September 2021, the parties agreed to resolve the matter and filed a stipulation of dismissal. In addition, we have received a purported class action demand letter alleging that our invoicing practices were unfair and deceptive under Massachusetts law. A class of customers, or particular customers, may assert that we have not paid to them all amounts incorrectly invoiced, and may seek double or treble damages under Massachusetts law.

We resolved potential criminal claims that arose from these matters by entering into a deferred prosecution agreement with the office of the United States Attorney for the District of Massachusetts and paying a \$115 million penalty in May 2021. In June 2019, we reached an agreement with the SEC to settle its claims that we violated the recordkeeping provisions of Section 34(b) of the Investment Company Act of 1940 and caused violations of Section 31(a) of the Investment Company Act and Rules 31a-1(a) and 31a-1(b) thereunder in connection with our overcharges of customers which are registered investment companies. In reaching this settlement, we neither admitted nor denied the claims contained in the SEC's order, and agreed to pay a civil monetary penalty of \$40 million. Also in June 2019, we reached an agreement with the Massachusetts Attorney General's office to resolve its claims related to this matter. In reaching this settlement, we neither admitted nor denied the claims in the order, and agreed to pay a civil monetary

penalty of \$5.5 million. The SEC and Massachusetts Attorney General's office settlements both recognize that the payment of \$48.8 million in disgorgement and interest is satisfied by our direct reimbursements of our customers. We paid fines to resolve claims of the Securities Divisions of the Secretaries of the State of Massachusetts and New Hampshire. The costs associated with the settlements discussed above were included in our related previously established accruals for loss contingencies.

We have not resolved certain claims that may be made by the U.S. Department of Labor. We do not know whether any such claims will be brought, and there can be no assurance that any settlement of any such claims will be reached on financial terms acceptable to us or at all. The aggregate amount of penalties that may potentially be imposed upon us in connection with the resolution of any such matters is not currently known.

*Shareholder Litigation*

A shareholder of ours filed a derivative complaint against certain of the Company's past and present officers and directors to recover alleged losses incurred by the Company relating to the invoicing matter and to the Ohio public retirement plans matter. The Suffolk Superior Court Department of the Trial Court of the Commonwealth of Massachusetts, without objection, approved a settlement of the claim in which we agreed to take, or to continue to take, specified steps to improve our ongoing governance and compliance policies, and to pay a fee to plaintiff's counsel.

*Gomes, et al. v. State Street Corp.*

Eight participants in our Salary Savings Program filed a purported class action complaint in May 2021 on behalf of participants and beneficiaries who participated in the Program and invested in our proprietary investment fund options between May 2015 and the present. The complaint names the Plan Sponsor as well as the committees overseeing the Plan and their respective members as defendants, and alleges breach of fiduciary duty and violations of other duties owed to retirement plan participants under the Employee Retirement Income and Security Act. We and the other named defendants deny the alleged claims and are proceeding with a defense of the matter.

*Edmar Financial Company, LLC et al v. Currenex, Inc. et al*

In August 2021, two former Currenex clients filed a putative civil class action lawsuit in the Southern District of New York alleging antitrust violations, fraud and a civil Racketeer Influenced and Corrupt Organization Act violation against Currenex, State Street and others.

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**Income Taxes**

In determining our provision for income taxes, we make certain judgments and interpretations with respect to tax laws in jurisdictions in which we have business operations. Because of the complex nature of these laws, in the normal course of our business, we are subject to challenges from U.S. and non-U.S. income tax authorities regarding the amount of income taxes due. These challenges may result in adjustments to the timing or amount of taxable income or deductions or the allocation of taxable income among tax jurisdictions. We recognize a tax benefit when it is more likely than not that our position will result in a tax deduction or credit. Unrecognized tax benefits of approximately \$252 million as of December 31, 2021 decreased from \$308 million as of December 31, 2020.

We are presently under audit by a number of tax authorities. The earliest tax year open to examination in jurisdictions where we have material operations is 2013. Management believes that we have sufficiently accrued liabilities as of December 31, 2021 for potential tax exposures.

**Note 14. Variable Interest Entities**

We are involved, in the normal course of our business, with various types of special purpose entities, some of which meet the definition of VIEs. When evaluating a VIE for consolidation, we must determine whether or not we have a variable interest in the entity. Variable interests are investments or other interests that absorb portions of an entity's expected losses or receive portions of the entity's expected returns. If it is determined that we do not have a variable interest in the VIE, no further analysis is required and we do not consolidate the VIE. If we hold a variable interest in a VIE, we are required by U.S. GAAP to consolidate that VIE when we have a controlling financial interest in the VIE and therefore are deemed to be the primary beneficiary. We are determined to have a controlling financial interest in a VIE when it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to that VIE. This determination is evaluated periodically as facts and circumstances change.

**Asset-Backed Investment Securities**

We invest in various forms of ABS, which we carry in our investment securities portfolio. These ABS meet the U.S. GAAP definition of asset securitization entities, which are considered to be VIEs. We are not considered to be the primary beneficiary of these VIEs since we do not have control over their activities. Additional information about our ABS is provided in Note 3.

**Tax-Exempt Investment Program**

In the normal course of our business, we structure and sell certificated interests in pools of tax-exempt investment grade assets, principally to our mutual fund clients. We structure these pools as partnership trusts, and the assets and liabilities of the trusts are recorded in our consolidated statement of condition as AFS investment securities and other short-term borrowings.

We transfer assets to the trusts from our investment securities portfolio at adjusted book value, and the trusts finance the acquisition of these assets by selling certificated interests issued by the trust to third-party investors and to us as residual holder. These transfers do not meet the de-recognition criteria defined by U.S. GAAP, and therefore, the assets continue to be recorded in our consolidated financial statements. As of December 31, 2020, we carried AFS investment securities, composed of securities related to state and political subdivisions, with a fair value of \$0.70 billion, and other short-term borrowings of \$0.62 billion in our consolidated statement of condition in connection with these trusts.

In November 2021, all certificated interests issued by the trusts were repaid. As of December 31, 2021, we carried \$0.52 billion of AFS investment securities related to state and political subdivisions previously held by these trusts.

Under separate legal agreements, we provide liquidity facilities to these trusts and, with respect to certain securities, letters of credit. As of December 31, 2021, our commitments related to the trusts have been reduced to zero.

**Interests in Investment Funds**

In the normal course of business, we manage various types of investment funds through State Street Global Advisors in which our clients are investors, including State Street Global Advisors commingled investment vehicles and other similar investment structures. The majority of our AUM are contained within such funds. The services we provide to these funds generate management fee revenue. From time to time, we may invest cash in the funds in order for the funds to establish a performance history for newly-launched strategies, referred to as seed capital, or for other purposes.

With respect to our interests in funds that meet the definition of a VIE, a primary beneficiary assessment is performed to determine if we have a controlling financial interest. As part of our assessment, we consider all the facts and circumstances regarding the terms and characteristics of the variable interest(s), the design and characteristics of the fund and the other involvements of the enterprise with the fund. Upon consolidation of certain funds, we retain the specialized investment company accounting rules followed by the underlying funds.

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All of the underlying investments held by such consolidated funds are carried at fair value, with corresponding changes in the investments' fair values reflected in foreign exchange trading services revenue in our consolidated statement of income. When we no longer control these funds due to a reduced ownership interest or other reasons, the funds are de-consolidated and accounted for under another accounting method if we continue to maintain investments in the funds.

As of December 31, 2021, we had no consolidated funds. As of December 31, 2020, the aggregate assets and liabilities of our consolidated sponsored investment funds totaled \$17 million and \$4 million, respectively. As of December 31, 2020, our maximum total exposure associated with the consolidated sponsored investment funds totaled \$13 million and represented the value of our economic ownership interest in the funds.

Our conclusion to consolidate a fund may vary from period to period, most commonly as a result of fluctuation in our ownership interest as a result of changes in the number of fund shares held by either us or by third parties. Given that the funds follow specialized investment company accounting rules which prescribe fair value, a de-consolidation generally would not result in gains or losses for us.

The net assets of any consolidated fund are solely available to settle the liabilities of the fund and to settle any investors' ownership redemption requests, including any seed capital invested in the fund by us. We are not contractually required to provide financial or any other support to any of our funds. In addition, neither creditors nor equity investors in the funds have any recourse to our general credit.

As of December 31, 2021 and December 31, 2020, we managed certain funds, considered VIEs, in which we held a variable interest but for which we were not deemed to be the primary beneficiary. Our potential maximum loss exposure related to these unconsolidated funds totaled \$17 million and \$22 million as of December 31, 2021 and December 31, 2020, respectively, and represented the carrying value of our investments, which are recorded in other assets in our consolidated statement of condition. The amount of loss we may recognize during any period is limited to the carrying amount of our investments in the unconsolidated funds.

## **Note 15. Shareholders' Equity**

### **Preferred Stock**

The following table summarizes selected terms of each of the series of the preferred stock issued and outstanding as of December 31, 2021:

Preferred Stock <sup>(1)</sup> :	Issuance Date	Depository Shares Issued	Ownership Interest Per Depository Share	Liquidation Preference Per Share	Liquidation Preference Per Depository Share	Per Annum Dividend Rate	Dividend Payment Frequency	Carrying Value as of December 31, 2021 (In millions)		Redemption Date <sup>(2)</sup>
Series D	February 2014	30,000,000	1/4,000th	100,000	25	5.90% to but excluding March 15, 2024, then a floating rate equal to the three-month LIBOR plus 3.108%	Quarterly	\$	742	March 15, 2024
Series F <sup>(3)</sup>	May 2015	250,000	1/100th	100,000	1,000	5.25% to but excluding September 15, 2020, then a floating rate equal to the three-month LIBOR plus 3.597%, or 3.7998% effective December 15, 2021	Quarterly		247	September 15, 2020
Series G	April 2016	20,000,000	1/4,000th	100,000	25	5.35% to but excluding March 15, 2026, then a floating rate equal to the three-month LIBOR plus 3.709%	Quarterly		493	March 15, 2026
Series H	September 2018	500,000	1/100th	100,000	1,000	5.625% to but excluding December 15, 2023, then a floating rate equal to the three-month LIBOR plus 2.539%	Semi-annually		494	December 15, 2023

<sup>(1)</sup> The preferred stock and corresponding depositary shares may be redeemed at our option in whole, but not in part, prior to the redemption date upon the occurrence of a regulatory capital treatment event, as defined in the certificate of designation, at a redemption price equal to the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

<sup>(2)</sup> On the redemption date, or any dividend payment date thereafter, the preferred stock and corresponding depositary shares may be redeemed by us, in whole or in part, at the liquidation price per share and liquidation price per depositary share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

<sup>(3)</sup> Series F preferred stock is redeemable on September 15, 2020 and on each succeeding dividend payment date.

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On March 15, 2021, we redeemed an aggregate of \$500 million, or 5,000 of the 7,500 outstanding shares of our non-cumulative perpetual preferred stock, Series F, for cash at a redemption price of \$100,000 per share (equivalent to \$1,000 per depositary share) plus all declared and unpaid dividends.

The following table presents the dividends declared for each of the series of preferred stock issued and outstanding for the periods indicated:

(Dollars in millions, except per share amounts)	Years Ended December 31,					
	2021			2020		
	Dividends Declared per Share	Dividends Declared per Depositary Share	Total	Dividends Declared per Share	Dividends Declared per Depositary Share	Total
<b>Preferred Stock:</b>						
Series C	\$ —	\$ —	—	\$ 1,313	\$ 0.33	\$ 6
Series D	5,900	1.48	44	5,900	1.48	44
Series F	3,808	38.08	15	6,223	62.23	47
Series G	5,352	1.32	27	5,352	1.32	27
Series H	5,625	56.25	28	5,625	56.25	28
Total			\$ 114			\$ 152

In February 2022, we declared dividends on our series D, F, and G preferred stock of approximately \$1,475, \$950, and \$1,338, respectively, per share, or approximately \$0.37, \$9.50, and \$0.33, respectively, per depositary share. These dividends total approximately \$11 million, \$2 million, and \$7 million on our series D, F, and G preferred stock, respectively, which will be paid in March 2022.

#### **Common Stock**

In September 2021, we completed a public offering of approximately 21.7 million shares of our common stock. The offering price was \$87.60 per share and net proceeds totaled approximately \$1.9 billion. We expect to use these net proceeds to finance our planned acquisition of the BBH Investor Services business.

In June 2019, our Board approved a common share repurchase program authorizing the purchase of up to \$2.0 billion of our common stock from July 1, 2019 through June 30, 2020 (the 2019 Program). We repurchased \$500 million of our common stock in each of the third and fourth quarters of 2019 and the first quarter of 2020 under the 2019 Program.

On March 16, 2020, we, along with the other U.S. G-SIBs, suspended common share repurchases and maintained this suspension through the fourth quarter of 2020 in response to the COVID-19 pandemic. This suspension was consistent with limitations imposed by the Federal Reserve beginning in the second quarter of 2020. As a result, we had no repurchases of our common stock in the second, third or fourth quarters of 2020.

In December 2020, the Federal Reserve issued results of 2020 resubmission stress tests and authorized us to continue to pay common stock dividends at current levels and to resume repurchasing common shares in the first quarter of 2021. In January 2021, our Board authorized a share repurchase program for the purchase of up to \$475 million of our common stock through March 31, 2021. In April 2021, our Board authorized a share repurchase program for the repurchase of up to \$425 million of our common stock through June 30, 2021, consistent with the limit set by the Federal Reserve. In July 2021, our Board authorized a share repurchase program for the repurchase of up to \$3.0 billion of our common stock through the end of 2022.

In connection with our planned acquisition of the BBH Investor Services business, we did not repurchase any common stock during the third and fourth quarters of 2021 under the common share repurchase plan approved by our Board in July 2021, and we do not intend to repurchase any common stock during the first quarter of 2022. We intend to resume our common share repurchases during the second quarter of 2022.

The table below presents the activity under our common share repurchase program for the period indicated:

	Year Ended December 31, 2021		
	Shares Acquired (In millions)	Average Cost per Share	Total Acquired (In millions)
	11.2	\$ 80.00	\$ 900
<b>Year Ended December 31, 2020</b>			
	Shares Acquired (In millions)	Average Cost per Share	Total Acquired (In millions)
2019 Program	6.5	\$ 77.35	\$ 500

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The table below presents the dividends declared on common stock for the periods indicated:

	Years Ended December 31,					
	2021		2020		2019	
	Dividends Declared per Share	Total (In millions)	Dividends Declared per Share	Total (In millions)	Dividends Declared per Share	Total (In millions)
Common Stock	\$ 2.18	\$ 779	\$ 2.08	\$ 734		

**Accumulated Other Comprehensive Income (Loss)**

The following table presents the after-tax components of AOCI for the periods indicated:

(In millions)	Years Ended December 31,					
	2021	2020	2019			
Net unrealized gains (losses) on cash flow hedges	\$ (2)	\$ 57	\$ (70)			
Net unrealized gains (losses) on available-for-sale securities portfolio	—	936	426			
Net unrealized gains (losses) related to reclassified available-for-sale securities	(31)	(55)	19			
Net unrealized gains (losses) on available-for-sale securities	(31)	881	445			
Net unrealized (losses) on available-for-sale securities designated in fair value hedges	(17)	(33)	(36)			
Net unrealized gains (losses) on hedges of net investments in non-U.S. subsidiaries	68	(204)	46			
Other-than-temporary impairment on held-to-maturity securities related to factors other than credit	(2)	(2)	(2)			
Net unrealized (losses) on retirement plans	(130)	(178)	(187)			
Foreign currency translation	(1,019)	(334)	(1,072)			
Total	<u>\$ (1,133)</u>	<u>\$ 187</u>	<u>\$ (876)</u>			

The following table presents changes in AOCI by component, net of related taxes, for the periods indicated:

(In millions)	Net Unrealized Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Net Unrealized Gains (Losses) on Hedges of Net Investments in Non-U.S. Subsidiaries	Other-Than-Temporary Impairment on Held-to-Maturity Securities	Net Unrealized Losses on Retirement Plans	Foreign Currency Translation	Total
<b>Balance as of December 31, 2019</b>	\$ (70)	\$ 409	\$ 46	\$ (2)	\$ (187)	\$ (1,072)	\$ (876)
Other comprehensive income (loss) before reclassifications	179	439	(250)	—	—	738	1,106
Amounts reclassified into (out of) accumulated other comprehensive loss	(52)	—	—	—	9	—	(43)
Other comprehensive income (loss)	127	439	(250)	—	9	738	1,063
<b>Balance as of December 31, 2020</b>	<u>\$ 57</u>	<u>\$ 848</u>	<u>\$ (204)</u>	<u>\$ (2)</u>	<u>\$ (178)</u>	<u>\$ (334)</u>	<u>\$ 187</u>
Other comprehensive income (loss) before reclassifications	11	(854)	272	—	1	(685)	(1,255)
Amounts reclassified into (out of) accumulated other comprehensive loss	(70)	(42)	—	—	47	—	(65)
Other comprehensive income (loss)	(59)	(896)	272	—	48	(685)	(1,320)
<b>Balance as of December 31, 2021</b>	<u><u>\$ (2)</u></u>	<u><u>\$ (48)</u></u>	<u><u>\$ 68</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ (130)</u></u>	<u><u>\$ (1,019)</u></u>	<u><u>\$ (1,133)</u></u>

The following table presents after-tax reclassifications into earnings for the periods indicated:

(In millions)	Years Ended December 31,			Affected Line Item in Consolidated Statement of Income
	2021		2020	
	2021	2020	Amounts Reclassified (into) out of Earnings	
<b>Available-for-sale securities:</b>				
Net realized (gains) losses from sales of available-for-sale securities, net of related taxes of \$(15) and \$0, respectively	\$ (42)	\$ —	—	Net gains (losses) from sales of available-for-sale securities
<b>Cash flow hedges:</b>				
(Gain) reclassified from accumulated other comprehensive income into income, net of related taxes of \$25 and \$20, respectively	(70)	(52)	Net interest income reclassified from other comprehensive income	
<b>Retirement plans:</b>				
Amortization of actuarial losses, net of related taxes of \$16 and \$3, respectively	47	9	Compensation and employee benefits expenses	
Total reclassifications into (out of) accumulated other comprehensive loss	<u><u>\$ (65)</u></u>	<u><u>\$ (43)</u></u>		

**Note 16. Regulatory Capital**

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial condition. Under current regulatory capital adequacy guidelines, we must meet specified capital requirements that involve quantitative measures of our consolidated assets, liabilities and off-balance sheet exposures calculated in conformity with regulatory accounting practices. Our capital components and their classifications are subject to qualitative judgments by regulators about components, risk weightings and other factors.

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As required by the Dodd-Frank Act, we and State Street Bank, as advanced approaches banking organizations, are subject to a "capital floor" in the calculation and assessment of regulatory capital adequacy by U.S. banking regulators. Beginning on January 1, 2015, we were required to calculate our risk-based capital ratios using both the advanced approaches and the standardized approach. As a result, from January 1, 2015 going forward, our risk-based capital ratios for regulatory assessment purposes are the lower of each ratio calculated under the standardized approach and the advanced approaches.

As of December 31, 2021, we and State Street Bank exceeded all regulatory capital adequacy requirements to which we were subject. As of December 31, 2021, State Street Bank was categorized as "well capitalized" under the applicable regulatory capital adequacy framework, and exceeded all "well capitalized" ratio guidelines to which it was subject. Management believes that no conditions or events have occurred since December 31, 2021 that have changed the capital categorization of State Street Bank.

The following table presents the regulatory capital structure, total RWA, related regulatory capital ratios and the minimum required regulatory capital ratios for us and State Street Bank as of the dates indicated.

(Dollars in millions)	State Street Corporation				State Street Bank			
	Basel III Advanced Approaches December 31, 2021	Basel III Standardized Approach December 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2020	Basel III Advanced Approaches December 31, 2021	Basel III Standardized Approach December 31, 2021	Basel III Advanced Approaches December 31, 2020	Basel III Standardized Approach December 31, 2020
<b>Common shareholders' equity:</b>								
Common stock and related surplus	\$ 11,291	\$ 11,291	\$ 10,709	\$ 10,709	\$ 13,047	\$ 13,047	\$ 12,893	\$ 12,893
Retained earnings	25,238	25,238	23,442	23,442	15,700	15,700	12,939	12,939
Accumulated other comprehensive income (loss)	(1,133)	(1,133)	187	187	(926)	(926)	371	371
Treasury stock, at cost	(10,009)	(10,009)	(10,609)	(10,609)	—	—	—	—
<b>Total</b>	<b>25,387</b>	<b>25,387</b>	<b>23,729</b>	<b>23,729</b>	<b>27,821</b>	<b>27,821</b>	<b>26,203</b>	<b>26,203</b>
<b>Regulatory capital adjustments:</b>								
Goodwill and other intangible assets, net of associated deferred tax liabilities	(8,935)	(8,935)	(9,019)	(9,019)	(8,667)	(8,667)	(8,745)	(8,745)
Other adjustments <sup>(1)</sup>	(505)	(505)	(333)	(333)	(309)	(309)	(152)	(152)
<b>Common equity tier 1 capital</b>	<b>15,947</b>	<b>15,947</b>	<b>14,377</b>	<b>14,377</b>	<b>18,845</b>	<b>18,845</b>	<b>17,306</b>	<b>17,306</b>
Preferred stock	1,976	1,976	2,471	2,471	—	—	—	—
<b>Tier 1 capital</b>	<b>17,923</b>	<b>17,923</b>	<b>16,848</b>	<b>16,848</b>	<b>18,845</b>	<b>18,845</b>	<b>17,306</b>	<b>17,306</b>
Qualifying subordinated long-term debt	1,588	1,588	961	961	752	752	966	966
Allowance for credit losses	—	108	1	148	—	108	10	148
<b>Total capital</b>	<b>\$ 19,511</b>	<b>\$ 19,619</b>	<b>\$ 17,810</b>	<b>\$ 17,957</b>	<b>\$ 19,597</b>	<b>\$ 19,705</b>	<b>\$ 18,282</b>	<b>\$ 18,420</b>
<b>Risk-weighted assets:</b>								
Credit risk <sup>(2)</sup>	\$ 63,735	\$ 109,554	\$ 63,367	\$ 114,892	\$ 57,405	\$ 106,405	\$ 58,960	\$ 110,797
Operational risk <sup>(3)</sup>	45,550	NA	44,150	NA	42,813	NA	43,663	NA
Market risk	2,113	2,113	2,188	2,188	2,113	2,113	2,188	2,188
<b>Total risk-weighted assets</b>	<b>\$ 111,398</b>	<b>\$ 111,667</b>	<b>\$ 109,705</b>	<b>\$ 117,080</b>	<b>\$ 102,331</b>	<b>\$ 108,518</b>	<b>\$ 104,811</b>	<b>\$ 112,985</b>
<b>Adjusted quarterly average assets</b>	<b>\$ 293,567</b>	<b>\$ 293,567</b>	<b>\$ 263,490</b>	<b>\$ 263,490</b>	<b>\$ 290,403</b>	<b>\$ 290,403</b>	<b>\$ 260,489</b>	<b>\$ 260,489</b>
<b>Capital Ratios:</b>	<b>2021 Minimum Requirements<sup>(4)</sup></b>	<b>2020 Minimum Requirements<sup>(4)</sup></b>						
Common equity tier 1 capital	8.0 %	8.0 %	14.3 %	14.3 %	13.1 %	12.3 %	18.4 %	17.4 %
Tier 1 capital	9.5	9.5	16.1	16.1	15.4	14.4	18.4	17.4
Total capital	11.5	11.5	17.5	17.6	16.2	15.3	19.2	18.2
Tier 1 leverage <sup>(5)</sup>	4.0	4.0	6.1	6.1	6.4	6.4	6.5	6.6

<sup>(1)</sup> Other adjustments within CET1 capital primarily include the overfunded portion of our defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, and other required credit risk based deductions.

<sup>(2)</sup> Under the advanced approaches, credit risk RWA includes a CVA which reflects the risk of potential fair value adjustments for credit risk reflected in our valuation of over-the-counter (OTC) derivative contracts. We used a simple CVA approach in conformity with the Basel III advanced approaches.

<sup>(3)</sup> Under the current advanced approaches rules and regulatory guidance concerning operational risk models, RWA attributable to operational risk can vary substantially from period-to-period, without direct correlation to the effects of a particular loss event on our results of operations and financial condition and impacting dates and periods that may differ from the dates and periods as of and during which the loss event is reflected in our financial statements, with the timing and categorization dependent on the processes for model updates and, if applicable, model revalidation and regulatory review and related supervisory processes. An individual loss event can have a significant effect on the output of our operational RWA under the advanced approaches depending on the severity of the loss event and its categorization among the seven Basel-defined UOMs.

<sup>(4)</sup> Minimum requirements include a CCB of 2.5% and a SCB of 2.5% for the advanced approaches and the standardized approach, respectively, a G-SIB surcharge of 1.0% and a countercyclical buffer of 0%.

<sup>(5)</sup> State Street Bank is required to maintain a minimum Tier 1 leverage ratio of 5% as it is the insured depository institution subsidiary of State Street Corporation, a U.S. G-SIB.

NA Not applicable

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**Note 17. Net Interest Income**

The following table presents the components of interest income and interest expense, and related NII, for the periods indicated:

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Interest income:</b>			
Interest-bearing deposits with banks	\$ (15)	\$ 76	\$ 416
Investment securities:			
Investment securities available-for-sale	572	748	1,023
Investment securities held-to-maturity	665	829	974
Investment securities purchased under money market liquidity facility	4	117	—
Total Investment securities	<u>1,241</u>	<u>1,694</u>	<u>1,997</u>
Securities purchased under resale agreements	27	126	364
Loans	638	624	769
Other interest-earning assets	<u>17</u>	<u>55</u>	<u>395</u>
Total interest income	<u><u>1,908</u></u>	<u><u>2,575</u></u>	<u><u>3,941</u></u>
<b>Interest expense:</b>			
Interest-bearing deposits	(263)	(117)	663
Short term borrowings under money market liquidity facility	4	101	—
Securities sold under repurchase agreements	—	4	31
Other short-term borrowings	2	17	21
Long-term debt	219	312	414
Other interest-bearing liabilities	<u>41</u>	<u>58</u>	<u>246</u>
Total interest expense	<u><u>3</u></u>	<u><u>375</u></u>	<u><u>1,375</u></u>
<b>Net interest income</b>	<b><u>\$ 1,905</u></b>	<b><u>\$ 2,200</u></b>	<b><u>\$ 2,566</u></b>

**Note 18. Equity-Based Compensation**

We record compensation expense for equity-based awards, such as deferred stock and performance awards, based on the closing price of our common stock on the date of grant, adjusted if appropriate, based on the eligibility of the award to receive dividends.

Compensation expense related to equity-based and cash settled stock awards with service-only conditions and terms that provide for a graded vesting schedule is recognized on a straight-line basis over the required service period for the entire award. Compensation expense related to equity-based awards with performance conditions and terms that provide for a graded vesting schedule is recognized over the requisite service period for each separately vesting tranche of the award, and is based on the probable outcome of the performance conditions at each reporting date. Compensation expense is adjusted for assumptions with respect to the estimated amount of awards that will be forfeited prior to vesting, and for employees who have met certain retirement eligibility criteria. Compensation expense for common stock awards granted to employees meeting early retirement eligibility criteria is fully expensed on the grant date.

Dividend equivalents for certain equity-based awards are paid on stock units on a current basis prior to vesting and distribution.

The 2017 Stock Incentive Plan, or 2017 Plan, was approved by shareholders in May 2017 for issuance of stock and stock based awards. Awards may be made under the 2017 Plan for (i) up to 8.3 million shares of common stock plus (ii) up to an additional 28.5 million shares that were available to be issued under the 2006 Equity Incentive Plan, or 2006 Plan, or may become available for issuance under the 2006 Plan due to expiration, termination, cancellation, forfeiture or repurchase of awards granted under the 2006 Plan. As of December 31, 2021, a total of 20.8 million shares from the 2006 Plan have been added to and may be issued from the 2017 Plan. As of December 31, 2021, a cumulative total of 15.2 million shares have been awarded under the 2017 Plan, compared to cumulative totals of 11.3 million shares and 7.6 million shares as of December 31, 2020 and 2019, respectively.

The 2017 Plan allows for shares withheld in payment of the exercise price of an award or in satisfaction of tax withholding requirements, shares forfeited due to employee termination, shares expired under option awards, or shares not delivered when performance conditions have not been met, to be added back to the pool of shares available for issuance under the 2017 Plan. From inception to December 31, 2021, 3 million shares had been awarded under the 2017 Plan but not delivered, and have become available for re-issue. As of December 31, 2021, a total of 16.9 million shares were available for future issuance under the 2017 Plan.

For deferred stock awards granted under the Plans, no common stock is issued at the time of grant and the award does not possess dividend and voting rights. Generally, these grants vest over one to four years. Performance awards granted are earned over a performance period based on the achievement of defined goals, generally over three years. Payment for performance awards is made in shares of our common stock equal to its fair market value per share, based on the performance of certain financial ratios, after the conclusion of each performance period.

Beginning with 2012, malus-based forfeiture provisions were included in deferred stock awards granted to employees identified as "material risk-takers," as defined by management. These malus-based forfeiture provisions provide for the reduction or cancellation of unvested deferred compensation, such as deferred stock awards and performance based awards, if it is determined that a material risk-taker made risk-based decisions that exposed us to inappropriate risks that resulted in a material

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unexpected loss at the business-unit, line-of-business or corporate level. In addition, awards granted to certain of our senior executives, as well as awards granted to individuals in certain jurisdictions, may be subject to recoupment after vesting (if applicable) and delivery to the individual in specified circumstances generally relating to fraud or willful misconduct by the individual that results in material harm to us or a material financial restatement.

Compensation expense related to deferred stock awards and performance awards, which we record as a component of compensation and employee benefits expense in our consolidated statement of income, was \$259 million, \$240 million and \$235 million for the years ended December 31, 2021, 2020 and 2019, respectively. Such expense for 2021, 2020 and 2019 excluded a release of \$5 million, an expense of \$29 million and a release of \$4 million, respectively, associated with acceleration of expense in connection with targeted staff reductions. This expense was included in the severance-related portion of the associated restructuring or repositioning charges recorded in each respective year.

For the years ended December 31, 2021, 2020 and 2019, no stock appreciation rights were exercised. As of December 31, 2021, there was no unrecognized compensation cost related to stock appreciation rights.

	Shares (In thousands)	Weighted-Average Grant Date Fair Value
<b>Deferred Stock Awards:</b>		
<b>Outstanding as of December 31, 2019</b>	5,834	\$ 74.33
Granted	2,926	63.56
Vested	(2,938)	71.33
Forfeited	(136)	71.79
<b>Outstanding as of December 31, 2020</b>	5,686	69.70
Granted	3,136	69.48
Vested	(2,801)	73.70
Forfeited	(244)	68.77
<b>Outstanding as of December 31, 2021</b>	<b>5,777</b>	<b>67.55</b>

The total fair value of deferred stock awards vested for the years ended December 31, 2021, 2020 and 2019, based on the weighted average grant date fair value in each respective year, was \$206 million, \$210 million and \$220 million, respectively. As of December 31, 2021, total unrecognized compensation cost related to deferred stock awards, net of estimated forfeitures, was \$192 million, which is expected to be recognized over a weighted-average period of 2.5 years.

	Shares (In thousands)	Weighted-Average Grant Date Fair Value
<b>Performance Awards:</b>		
<b>Outstanding as of December 31, 2019</b>	2,139	\$ 71.82
Granted	811	62.58
Forfeited	(23)	94.91
Paid out	(410)	73.10
<b>Outstanding as of December 31, 2020</b>	2,517	68.42
Granted	802	61.87
Forfeited	(14)	57.66
Paid out	(716)	78.94
<b>Outstanding as of December 31, 2021</b>	<b>2,589</b>	<b>63.54</b>

The total fair value of performance awards vested for the years ended December 31, 2021, 2020 and 2019, based on the weighted average grant date fair value in each respective year, was \$57 million, \$30 million and \$22 million, respectively. As of December 31, 2021, total unrecognized compensation cost related to performance awards, net of estimated forfeitures, was \$22 million, which is expected to be recognized over a weighted-average period of 1.9 years.

	Shares (In thousands)	Weighted-Average Grant Date Fair Value
<b>Cash Settled Restricted Stock Awards:</b>		
<b>Outstanding as of December 31, 2019</b>	—	\$ —
Granted	—	—
Forfeited	—	—
Paid out	—	—
<b>Outstanding as of December 31, 2020</b>	—	—
Granted	46	69.95
Forfeited	—	—
Paid out	(23)	69.95
<b>Outstanding as of December 31, 2021</b>	<b>23</b>	<b>69.95</b>

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The total fair value of cash settled restricted stock awards vested during the year ended December 31, 2021, based on the weighted average grant date fair value, was \$2 million. As of December 31, 2021, there was no unrecognized compensation cost related to cash settled restricted stock awards.

We utilize either treasury shares or authorized but unissued shares to satisfy the issuance of common stock under our equity incentive plans. We do not have a specific policy concerning purchases of our common stock to satisfy stock issuances. We have a general policy concerning purchases of our common stock to meet issuances under our employee benefit plans, including other corporate purposes. Various factors determine the amount and timing of our purchases of our common stock, including regulatory reviews and approvals or non-objections, our regulatory capital requirements, the number of shares we expect to issue under employee benefit plans, market conditions (including the trading price of our common stock), and legal considerations. These factors can change at any time, and the number of shares of common stock we will purchase or when we will purchase them cannot be assured. Additional information on our common stock purchase program is provided in Note 15.

**Note 19. Employee Benefits**

***Defined Benefit Pension and Other Post-Retirement Benefit Plans***

State Street Bank and certain of its U.S. subsidiaries participate in a non-contributory, tax-qualified defined benefit pension plan. The U.S. defined benefit pension plan was frozen as of December 31, 2007 and no new employees were eligible to participate after that date. We have agreed to contribute sufficient amounts as necessary to meet the benefits paid to plan participants and to fund the plan's service cost, plus interest. U.S. employee account balances earn annual interest credits until the employee begins receiving benefits. Non-U.S. employees participate in local defined benefit plans which are funded as required in each local jurisdiction. In addition to the defined benefit pension plans, we have non-qualified unfunded SERPs that provide certain officers with defined pension benefits in excess of allowable qualified plan limits. State Street Bank and certain of its U.S. subsidiaries also participate in a post-retirement plan that provides health care benefits for certain retired employees. The total expense for these tax-qualified and non-qualified plans was \$27 million, \$25 million and \$8 million in 2021, 2020 and 2019, respectively.

We recognize the funded status of our defined benefit pension plans and other post-retirement benefit plans, measured as the difference between the fair value of the plan assets and the projected

benefit obligation, in the consolidated statement of position. The assets held by the defined benefit pension plans are largely made up of common, collective funds that are liquid and invest principally in U.S. equities and high-quality fixed-income investments. The majority of these assets fall within Level 2 of the fair value hierarchy. The benefit obligations associated with our primary U.S. and non-U.S. defined benefit plans, non-qualified unfunded supplemental retirement plans and post-retirement plans were \$1.47 billion, \$42 million and \$3 million, respectively, as of December 31, 2021 and \$1.53 billion, \$69 million and \$4 million, respectively, as of December 31, 2020. As the primary defined benefit plans are frozen, the benefit obligation will only vary over time as a result of changes in market interest rates, the life expectancy of the plan participants and payments made from the plans. The primary U.S. and non-U.S. defined benefit pension plans were overfunded by \$49 million and underfunded by \$15 million as of December 31, 2021 and 2020, respectively. The non-qualified supplemental retirement plans were underfunded by \$42 million and \$69 million as of December 31, 2021 and 2020, respectively. The other post-retirement benefit plans were underfunded by \$3 million and \$4 million as of December 31, 2021 and 2020, respectively. The underfunded status is included in other liabilities.

***Defined Contribution Retirement Plans***

We contribute to employer-sponsored U.S. and non-U.S. defined contribution plans. Our contribution to these plans was \$171 million, \$168 million and \$167 million in 2021, 2020 and 2019, respectively.

***Note 20. Occupancy Expense and Information Systems and Communications Expense***

Occupancy expense and information systems and communications expense include depreciation of buildings, leasehold improvements, computer hardware and software, equipment, furniture and fixtures, and amortization of lease right-of-use assets. Total depreciation and amortization expense in 2021, 2020 and 2019 was \$859 million, \$858 million and \$842 million, respectively.

We use our incremental borrowing rate to determine the present value of the lease payments for finance and operating leases described below. Additionally, we do not separate nonlease components such as real estate taxes and common area maintenance from base lease payments.

As of December 31, 2021 and 2020, an aggregate net book value of \$135 million and \$55 million, respectively, for the finance lease related to our One Lincoln Street Boston headquarters was recorded in premises and equipment, with the related liability of \$164 million and \$103 million, respectively,

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recorded in long-term debt, in our consolidated statement of condition.

Finance lease right-of-use asset amortization is recorded in occupancy expense on a straight-line basis in our consolidated statement of income over the respective lease term. As of December 31, 2021, accumulated amortization of the finance lease right-of-use asset was \$101 million. Lease payments are recorded as a reduction of the liability, with a portion recorded as imputed interest expense. In 2021 and 2020, interest expense related to the finance lease obligation reflected in NII was \$6 million and \$9 million, respectively.

As of December 31, 2021, an aggregate net book value of \$542 million for the operating lease right-of-use assets is recorded in other assets, with the related lease liability of \$689 million recorded in accrued expenses and other liabilities in our consolidated statement of condition.

We have entered into non-cancellable operating leases for premises and equipment. Nearly all of these leases include renewal options, and only those reasonably certain of being exercised are included in the term of the lease. Costs for operating leases are recorded on a straight-line basis which includes both interest expense and right-of-use asset amortization. Operating lease costs for office space are recorded in occupancy expense. Costs related to operating leases for equipment are recorded in information systems and communications expense.

As of December 31, 2021, we have an additional operating lease, primarily for office space, that has not yet commenced with approximately \$455 million of undiscounted future minimum lease payments. This lease will commence in fiscal year 2023 with 15 year lease term. These future payments relate to the new Boston headquarters lease executed in the first quarter of 2019, replacing the One Lincoln Street Boston property.

None of our leases contain residual value guarantees.

The following table presents lease costs, sublease rental income, cash flows and new leases arising from lease transactions for 2021:

(In millions)	Years Ended December 31,	
	2021	2020
<b>Finance lease:</b>		
Amortization of right-of-use assets	\$ 27	\$ 20
Interest on lease liabilities	6	9
Total finance lease expense	33	29
Sublease income	(11)	(11)
Net finance lease expense	22	18
<b>Operating lease:</b>		
Operating lease expense	147	169
Sublease income	(18)	(16)
Net operating lease expense	129	153
<b>Net lease expense</b>	<b>\$ 151</b>	<b>\$ 171</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from finance leases	\$ 6	\$ 9
Operating cash flows from operating leases	198	192
Financing cash flows from finance leases	47	33
<b>Right-of-use assets obtained in exchange for new lease obligations:</b>		
Operating leases	\$ 69	\$ 38
Finance leases	108	—

The following table presents future minimum lease payments under non-cancellable leases as of December 31, 2021:

(In millions)	Operating Leases	Finance Leases	Total
2022	\$ 158	\$ 71	\$ 229
2023	140	60	200
2024	117	29	146
2025	98	10	108
2026	74	—	74
Thereafter	162	—	162
Total future minimum lease payments	749	170	919
Less imputed interest	(60)	(6)	(66)
<b>Total</b>	<b>\$ 689</b>	<b>\$ 164</b>	<b>\$ 853</b>

The following table presents details related to remaining lease terms and discount rate as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Weighted-average remaining lease term (in years):</b>		
Finance leases	2.6	2.7
Operating leases	5.8	7.1
<b>Weighted-average discount rate:</b>		
Finance leases	4 %	7 %
Operating leases	3 %	3 %

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**Note 21. Expenses**

The following table presents the components of other expenses for the periods indicated:

(In millions)	Years Ended December 31,		
	2021	2020	2019
Professional services	\$ 334	\$ 364	\$ 321
Sales advertising public relations	73	77	114
Regulatory fees and assessments	69	61	73
Securities processing	34	41	75
Bank operations	12	18	43
Insurance	12	14	19
Donations	2	20	51
Other	<u>360</u>	<u>370</u>	<u>566</u>
Total other expenses	<u><u>\$ 896</u></u>	<u><u>\$ 965</u></u>	<u><u>\$ 1,262</u></u>

**Acquisition Costs**

We recorded approximately \$53 million of acquisition costs in 2021 compared to \$54 million in 2020 and \$79 million in 2019, related to our acquisition of CRD. In addition, we recorded approximately \$13 million of acquisition costs in 2021 related to our planned acquisition of the BBH Investor Services business.

**Restructuring and Repositioning Charges**

*Repositioning Charges*

In 2021, we recorded a net repositioning benefit of \$3 million, consisting of \$32 million release of previously accrued severance charges, primarily due to higher attrition and redeployment rates during the COVID-19 pandemic, partially offset by \$29 million of occupancy charges related to footprint optimization.

In 2020, we recorded \$133 million of repositioning charges, including \$82 million of compensation and employee benefits expenses and \$51 million of occupancy costs, to further drive automation of processes and organizational simplification enabling workforce rationalization and to reduce our real estate footprint by approximately 13% of our total square footage.

The following table presents aggregate activity for repositioning charges and activity related to previous Beacon restructuring charges for the periods indicated:

(In millions)	Employee Related Costs	Real Estate Actions	Asset and Other Write-offs	Total
<b>Accrual Balance at December 31, 2018</b>	\$ 303	\$ 37	\$ 1	\$ 341
Accruals for Beacon	(2)	—	—	(2)
Accruals for Repositioning Charges	98	12	—	110
Payments and Other Adjustments	<u>(209)</u>	<u>(42)</u>	<u>—</u>	<u>(251)</u>
<b>Accrual Balance at December 31, 2019</b>	190	7	1	198
Accruals for Beacon	(4)	—	—	(4)
Accruals for Repositioning Charges	82	51	—	133
Payments and Other Adjustments	<u>(78)</u>	<u>(52)</u>	<u>(1)</u>	<u>(131)</u>
<b>Accrual Balance at December 31, 2020</b>	190	6	—	196
Accruals for Beacon	(1)	—	—	(1)
Accruals for Repositioning Charges	(32)	29	—	(3)
Payments and Other Adjustments	<u>(89)</u>	<u>(29)</u>	<u>—</u>	<u>(118)</u>
<b>Accrual Balance at December 31, 2021</b>	<u><u>\$ 68</u></u>	<u><u>\$ 6</u></u>	<u><u>—</u></u>	<u><u>\$ 74</u></u>

**Note 22. Income Taxes**

We use an asset-and-liability approach to account for income taxes. Our objective is to recognize the amount of taxes payable or refundable for the current year through charges or credits to the current tax provision, and to recognize deferred tax assets and liabilities for future tax consequences of temporary differences between amounts reported in our consolidated financial statements and their respective tax bases. The measurement of tax assets and liabilities is based on enacted tax laws and applicable tax rates. The effects of a tax position on our consolidated financial statements are recognized when we believe it is more likely than not that the position will be sustained. A valuation allowance is established if it is considered more likely than not that all or a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities recorded in our consolidated statement of condition are netted within the same tax jurisdiction.

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The following table presents the components of income tax expense (benefit) for the periods indicated:

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Current:</b>			
Federal	\$ 172	\$ 241	\$ 157
State	142	122	86
Non-U.S.	326	310	357
Total current expense	<u>640</u>	<u>673</u>	<u>600</u>
<b>Deferred:</b>			
Federal	(98)	(168)	(6)
State	(61)	5	33
Non-U.S.	(3)	(31)	(157)
Total deferred expense (benefit)	<u>(162)</u>	<u>(194)</u>	<u>(130)</u>
Total income tax expense (benefit)	<u>\$ 478</u>	<u>\$ 479</u>	<u>\$ 470</u>

The following table presents a reconciliation of the U.S. statutory income tax rate to our effective tax rate based on income before income tax expense for the periods indicated:

	Years Ended December 31,		
	2021	2020	2019
U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
<b>Changes from statutory rate:</b>			
State taxes, net of federal benefit	2.2	3.8	3.4
Tax-exempt income	(1.1)	(1.3)	(1.5)
Business tax credits <sup>(1)</sup>	(4.1)	(5.1)	(5.4)
Foreign tax differential	0.1	(0.8)	(0.1)
Foreign legal entity restructuring	—	—	(4.3)
Foreign tax credit (benefits)/ limitations	(1.9)	(0.9)	2.2
Litigation expense	—	—	1.6
Other, net	(1.1)	(0.2)	0.4
Effective tax rate	<u>15.1 %</u>	<u>16.5 %</u>	<u>17.3 %</u>

<sup>(1)</sup> Business tax credits include low-income housing, production and investment tax credits.

Beginning in 2018, the TCJA subjects a U.S. shareholder to current tax on Global Intangible Low-Taxed Income (GILTI) earned by certain foreign subsidiaries. We have elected to recognize our tax on GILTI as a period expense in the period the tax is incurred. As such, we have included an estimate of this liability in our estimated annual effective tax rate. This adjustment increased our effective tax rate by 0.1%, 0.2% and 0.3% in 2021, 2020 and 2019, respectively, which is reflected in the prior reconciliation table under "Foreign Tax Credit (Benefits)/Limitations".

Undistributed indefinitely reinvested earnings of certain foreign subsidiaries amounted to approximately \$5.5 billion at December 31, 2021. As a result, no provision has been recorded for state and local or foreign withholding income taxes. If a distribution were to occur, we would be subject to state, local and to foreign withholding tax. It is

expected that any distribution will be exempt from federal income tax. Although the foreign withholding tax is generally creditable against U.S. federal income tax, certain credit utilization limitations may result in a net cost.

The following table presents significant components of our gross deferred tax assets and gross deferred tax liabilities as of the dates indicated:

(In millions)	December 31,	
	2021	2020
<b>Deferred tax assets:</b>		
Other amortizable assets	\$ 323	\$ 385
Tax credit carryforwards	526	564
Lease obligations	217	243
Deferred compensation	158	110
Restructuring charges and other reserves	88	114
NOL and other carryforwards	118	101
Pension plan	28	56
Foreign currency translation	16	3
Unrealized losses on investment securities, net	17	—
Total deferred tax assets	<u>1,491</u>	<u>1,576</u>
Valuation allowance for deferred tax assets	<u>(250)</u>	<u>(295)</u>
Deferred tax assets, net of valuation allowance	<u>\$ 1,241</u>	<u>\$ 1,281</u>
<b>Deferred tax liabilities:</b>		
Fixed and intangible assets	\$ 601	\$ 765
Investment basis differences	200	269
Right-of-use Assets	172	187
Unrealized gains on investment securities, net	—	306
Other	58	51
Total deferred tax liabilities	<u>\$ 1,031</u>	<u>\$ 1,578</u>

The table below summarizes the deferred tax assets and related valuation allowances recognized as of December 31, 2021:

(In millions)	Deferred Tax Asset	Valuation Allowance	Expiration
	\$	\$	
Other amortizable assets	323	(185)	None
Tax credits	526	—	2033-2041
NOLs - Non-U.S.	92	(45)	2028-2041, None
NOLs - U.S.	22	(16)	2022-2040
Other carryforwards	4	(4)	None

Management considers the valuation allowance adequate to reduce the total deferred tax assets to an aggregate amount that will more likely than not be realized. Management has determined that a valuation allowance is not required for the remaining deferred tax assets because it is more likely than not that there will be sufficient taxable income of the appropriate nature within the carryforward periods to realize these assets.

At December 31, 2020 and 2019, the gross unrecognized tax benefits, excluding interest, were \$252 million, \$308 million and \$149 million, respectively. Of this, the amounts that would reduce the effective tax rate, if recognized, are \$243 million,

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\$294 million and \$140 million, respectively. The reduction in the effective tax rate includes the federal benefit for unrecognized state tax benefits.

The following table presents activity related to unrecognized tax benefits as of the dates indicated:

(In millions)	December 31,		
	2021	2020	2019
Beginning balance	\$ 308	\$ 149	\$ 108
Decrease related to agreements with tax authorities	(130)	—	(17)
Increase related to tax positions taken during current year	50	47	13
Increase related to tax positions taken during prior years	42	137	49
Decreases related to a lapse of the applicable statute of limitations	(18)	(25)	(4)
Ending balance	<u><u>\$ 252</u></u>	<u><u>\$ 308</u></u>	<u><u>\$ 149</u></u>

It is reasonably possible that of the \$252 million of unrecognized tax benefits as of December 31, 2021, up to \$71 million could decrease within the next 12 months due to agreements with tax authorities and the expiration of statutes of limitations. Management believes that we have sufficient accrued liabilities as of December 31, 2021 for tax exposures and related interest expense.

Income tax expense included related interest and penalties of approximately \$6 million, \$6 million and \$5 million in 2021, 2020 and 2019, respectively. Total accrued interest and penalties were approximately \$9 million, \$14 million and \$10 million as of December 31, 2021, 2020 and 2019, respectively.

### Note 23. Earnings Per Common Share

Basic EPS is calculated pursuant to the two-class method, by dividing net income available to common shareholders by the weighted-average common shares outstanding during the period. Diluted EPS is calculated pursuant to the two-class method, by dividing net income available to common shareholders by the total weighted-average number of common shares outstanding for the period plus the shares representing the dilutive effect of equity-based awards. The effect of equity-based awards is excluded from the calculation of diluted EPS in periods in which their effect would be anti-dilutive.

The two-class method requires the allocation of undistributed net income between common and participating shareholders. Net income available to common shareholders, presented separately in our consolidated statement of income, is the basis for the calculation of both basic and diluted EPS. Participating securities are composed of unvested and fully vested SERP shares and fully vested deferred director stock awards, which are equity-based awards that contain non-forfeitable rights to dividends, and are considered to participate with the common stock in undistributed earnings.

The following table presents the computation of basic and diluted earnings per common share for the periods indicated:

(Dollars in millions, except per share amounts)	Years Ended December 31,		
	2021	2020	2019
<b>Net income</b>	<b>\$ 2,693</b>	<b>\$ 2,420</b>	<b>\$ 2,242</b>
Less:			
Preferred stock dividends	(119)	(162)	(232)
Dividends and undistributed earnings allocated to participating securities <sup>(1)</sup>	(2)	(1)	(1)
Net income available to common shareholders	<u><u>\$ 2,572</u></u>	<u><u>\$ 2,257</u></u>	<u><u>\$ 2,009</u></u>
<b>Average common shares outstanding (in thousands):</b>			
Basic average common shares	352,565	352,865	369,911
Effect of dilutive securities: equity-based awards	5,397	4,241	3,755
Diluted average common shares	<u><u>357,962</u></u>	<u><u>357,106</u></u>	<u><u>373,666</u></u>
Anti-dilutive securities <sup>(2)</sup>	3	1,066	2,052
<b>Earnings per common share:</b>			
Basic	\$ 7.30	\$ 6.40	\$ 5.43
Diluted <sup>(3)</sup>	7.19	6.32	5.38

<sup>(1)</sup> Represents the portion of net income available to common equity allocated to participating securities, composed of unvested and fully vested SERP (Supplemental executive retirement plans) shares and fully vested deferred director stock awards, which are equity-based awards that contain non-forfeitable rights to dividends, and are considered to participate with the common stock in undistributed earnings.

<sup>(2)</sup> Represents equity-based awards outstanding but not included in the computation of diluted average common shares, because their effect was anti-dilutive. Additional information about equity-based awards is provided in Note 18.

<sup>(3)</sup> Calculations reflect allocation of earnings to participating securities using the two-class method, as this computation is more dilutive than the treasury stock method.

### Note 24. Line of Business Information

Our operations are organized into two lines of business: Investment Servicing and Investment Management, which are defined based on products and services provided. The results of operations for these lines of business are not necessarily comparable with those of other companies, including companies in the financial services industry.

*Investment Servicing*, through State Street Institutional Services, State Street Global Markets, State Street Digital and CRD, provides services for institutional clients, including mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, investment managers, foundations and endowments worldwide. Products include: custody; product accounting; daily pricing and administration; master trust and master custody; depotbank services (a fund oversight role created by non-U.S. regulation); record-keeping; cash management; foreign exchange, brokerage and other trading services; securities finance and enhanced custody products; deposit and short-term investment facilities; loans and lease financing; investment manager and alternative investment manager operations outsourcing; performance, risk and compliance analytics; and financial data management to support institutional investors.

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Included within our Investment Servicing line of business is CRD, which we acquired in 2018. The Charles River Investment Management system is a technology offering which is designed to automate and simplify the institutional investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. With the acquisition of CRD, we took the first step in building our front-to-back platform, State Street Alpha. Today our State Street Alpha platform combines portfolio management, trading and execution, analytics and compliance tools, and advanced data aggregation and integration with other industry platforms and providers. In 2021, we further expanded our technology offering with the acquisition of Mercatus, Inc., enabling the launch of Alpha for Private Markets.

In 2021, we established State Street Digital to focus on the development of digital assets and technologies, including crypto, central bank digital currency, blockchain and tokenization, including the evolution of a new integrated business and digital operating model designed to support our clients' digital investment cycle.

*Investment Management*, through State Street Global Advisors, provides a broad range of investment management strategies and products for our clients. Our investment management strategies and products span the risk/reward spectrum for equity, fixed income and cash assets, including core and enhanced indexing, multi-asset strategies, active quantitative and fundamental active capabilities and alternative investment strategies. Our AUM is currently primarily weighted to indexed strategies. In addition, we provide a breadth of services and solutions, including ESG investing, defined benefit and defined contribution and Global Fiduciary Solutions (formerly Outsourced Chief Investment Officer). State Street Global Advisors is also a provider of ETFs, including the SPDR® ETF brand.

Our investment servicing strategy is to focus on total client relationships and the full integration of our products and services across our client base through cross-selling opportunities. In general, our clients will use a combination of services, depending on their needs, rather than one product or service. For instance, a custody client may purchase securities finance and cash management services from different business units. Products and services that we provide to our clients are parts of an integrated offering to these clients. We price our products and services on the basis of overall client relationships and other factors; as a result, revenue may not necessarily reflect the stand-alone market price of these products

and services within the business lines in the same way it would for separate business entities.

Our servicing and management fee revenue from the Investment Servicing and Investment Management business lines, including foreign exchange trading services and securities finance activities, represents approximately 70% to 80% of our consolidated total revenue. The remaining 20% to 30% is composed of software and processing fees, including CRD, as well as NII, which is largely generated by our investment of client deposits, short-term borrowings and long-term debt in a variety of assets, and net gains (losses) related to investment securities. These other revenue types are generally fully allocated to, or reside in, Investment Servicing and Investment Management.

Revenue and expenses are directly charged or allocated to our lines of business through management information systems. Assets and liabilities are allocated according to policies that support management's strategic and tactical goals. Capital is allocated based on the relative risks and capital requirements inherent in each business line, along with management judgment. Capital allocations may not be representative of the capital that might be required if these lines of business were separate business entities.

The following is a summary of our line of business results "Other" column for the periods indicated.

(Dollars in millions)	Years Ended December 31,		
	Other		
	2021	2020	2019
Other Income	\$ (111)	\$ —	\$ —
Net repositioning charges	(3)	133	110
Net acquisition and restructuring costs	65	50	77
Legal and related expenses	18	(9)	172
Deferred incentive compensation expense acceleration	147	—	—
Other expenses	35	—	—
Total	\$ 151	\$ 174	\$ 359

The following is a summary of our line of business results for the periods indicated. The "Other" columns represent certain costs incurred that are not allocated to our two lines of business, including repositioning charges, acquisition costs and certain legal accruals. In addition, the acceleration of deferred compensation of \$147 million in 2021 was not allocated to our two lines of business. Prior reported results reflect reclassifications, for comparative purposes, related to management changes in methodologies associated with allocations of revenue and expenses to lines of business in 2021.

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(Dollars in millions)	Years Ended December 31,											
	Investment Servicing			Investment Management			Other			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Servicing fees	\$ 5,549	\$ 5,167	\$ 5,074	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,549	\$ 5,167	\$ 5,074
Management fees	—	—	—	2,053	1,880	1,824	—	—	—	2,053	1,880	1,824
Foreign exchange trading services	1,149	1,299	974	62	64	84	—	—	—	1,211	1,363	1,058
Securities finance	402	342	462	14	14	9	—	—	—	416	356	471
Software and processing fees <sup>(1)</sup>	779	706	691	4	27	29	—	—	—	783	733	720
Total fee revenue	7,879	7,514	7,201	2,133	1,985	1,946	—	—	—	10,012	9,499	9,147
Net interest income	1,919	2,211	2,590	(14)	(11)	(24)	—	—	—	1,905	2,200	2,566
Total other income	(1)	4	43	—	—	—	111	—	—	110	4	43
<b>Total revenue</b>	<b>9,797</b>	<b>9,729</b>	<b>9,834</b>	<b>2,119</b>	<b>1,974</b>	<b>1,922</b>	<b>111</b>	<b>—</b>	<b>—</b>	<b>12,027</b>	<b>11,703</b>	<b>11,756</b>
Provision for credit losses	(33)	88	10	—	—	—	—	—	—	(33)	88	10
<b>Total expenses</b>	<b>7,182</b>	<b>7,071</b>	<b>7,140</b>	<b>1,445</b>	<b>1,471</b>	<b>1,535</b>	<b>262</b>	<b>174</b>	<b>359</b>	<b>8,889</b>	<b>8,716</b>	<b>9,034</b>
<b>Income before income tax expense</b>	<b>\$ 2,648</b>	<b>\$ 2,570</b>	<b>\$ 2,684</b>	<b>\$ 674</b>	<b>\$ 503</b>	<b>\$ 387</b>	<b>\$ (151)</b>	<b>\$ (174)</b>	<b>\$ (359)</b>	<b>\$ 3,171</b>	<b>\$ 2,899</b>	<b>\$ 2,712</b>
Pre-tax margin	<u>27 %</u>	<u>26 %</u>	<u>27 %</u>	<u>32 %</u>	<u>25 %</u>	<u>20 %</u>				<u>26 %</u>	<u>25 %</u>	<u>23 %</u>
Average assets (in billions)	<b>\$ 296.5</b>	<b>\$ 266.4</b>	<b>\$ 220.3</b>	<b>\$ 3.2</b>	<b>\$ 2.9</b>	<b>\$ 3.0</b>				<b>\$ 299.7</b>	<b>\$ 269.3</b>	<b>\$ 223.3</b>

<sup>(1)</sup> Investment Management includes other revenue items that are primarily driven by equity market movements.

## Note 25. Revenue from Contracts with Customers

We account for revenue from contracts with customers in accordance with ASC 606. The amount of revenue that we recognize is measured based on the consideration specified in contracts with our customers, and excludes taxes collected from customers subsequently remitted to governmental authorities. We recognize revenue when a performance obligation is satisfied over time as the services are performed or at a point in time depending on the nature of the services provided as further discussed below. Revenue recognition guidance related to contracts with customers excludes our NII, revenue earned on security lending transactions entered into as principal, realized gains/losses on securities, revenue earned on foreign exchange activity, loans and related fees, and gains/losses on hedging and derivatives, to which we apply other applicable U.S. GAAP guidance.

For contracts with multiple performance obligations, or contracts that have been combined, we allocate the contracts' transaction price to each performance obligation using our best estimate of the standalone selling price. Our contractual fees are negotiated on a customer by customer basis and are representative of standalone selling price utilized for allocating revenue when there are multiple performance obligations.

Substantially all of our services are provided as a distinct series of daily performance obligations that the customer simultaneously benefits from as they are performed. Payments may be made to third party service providers and the expense is recognized gross when we control those services as we are deemed the principal.

Contract durations may vary from short to long-term or may be open ended. Termination notice periods are in line with general market practice and typically do not include termination penalties. Therefore, for substantially all of our revenues, the duration of the contract and the enforceable rights and obligations do not extend beyond the services that are performed daily or at the transaction level. In instances where we have substantive termination penalties, the duration of the contract may extend through the date of substantive termination penalties.

### Investment Servicing

Revenue from contracts with customers related to servicing fees is recognized over time as our customers benefit from the custody, administration, accounting, transfer agency and other related asset services as they are performed. At contract inception, no revenue is estimated as the fees are dependent on assets under custody and/or administration and/or actual transactions which are susceptible to market factors outside of our control. Therefore, revenue is recognized using a time-based output method as the customers benefit from the services over time and as the assets under custody or transactions are known or determinable during each reporting period based on contractual fee schedules. Payments made to third party service providers, such as sub-custodians, are generally recognized gross as we control those services and are deemed to be a principal in such arrangements.

Foreign exchange trading services revenue includes revenue generated from providing access and use of electronic trading platforms and other trading, transition management and brokerage services. Electronic FX services are dependent on the volume of actual transactions initiated through our electronic exchange platforms.

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Revenue is recognized over time using a time-based measure as access to, and use of, the electronic exchange platforms is made available to the customer and the activity is determinable. Revenue related to other trading, transition management and brokerage services is recognized when the customer obtains the benefit of such services which may be over time or at a point in time upon trade execution.

Securities finance revenue is related to services for providing agency lending programs to State Street Global Advisors managed investment funds and third-party investment managers and asset owners. This securities finance revenue is recognized over time using a time-based measure as our customers benefit from these lending services over time.

Revenue related to the front office solutions provided by CRD is primarily driven by the sale of licenses and software as service arrangements, including professional services such as consulting and implementation services, software support and maintenance. Revenue for a sale of software to be installed on premise is recognized at a point in time when the customer benefits from obtaining access to and use of the software license. Revenue for a SaaS related arrangement is recognized over time as services are provided.

***Investment Management***

Revenue from contracts with customers related to investment management, investment research and investment advisory services provided through State Street Global Advisors is recognized over time as our customers benefit from the services as they are performed. Substantially all of our investment management fees are determined by the value of assets under management and the investment strategies employed. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of our control.

Therefore, substantially all of our Investment Management services revenue is recognized using a time-based output method as the customers benefit from the services over time and as the assets under management are known or determinable during each reporting period based on contractual fee schedules. Payments made to third party service providers, such as payments to others in unitary fee arrangements, are generally recognized on a gross basis when State Street Global Advisors controls those services and is deemed to be a principal in such transactions.

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**Revenue by category**

In the following table, revenue is disaggregated by our two lines of business and by revenue stream for which the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The amounts in the "Other" columns were not allocated to our business lines.

(Dollars in millions)	Year Ended December 31, 2021									
	Investment Servicing			Investment Management			Other			Total
	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	2021
Servicing fees	\$ 5,549	\$ —	\$ 5,549	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,549
Management fees	—	—	—	2,053	—	2,053	—	—	—	2,053
Foreign exchange trading services	342	807	1,149	62	—	62	—	—	—	1,211
Securities finance	235	167	402	—	14	14	—	—	—	416
Software and processing fees	519	260	779	—	4	4	—	—	—	783
<b>Total fee revenue</b>	<b>6,645</b>	<b>1,234</b>	<b>7,879</b>	<b>2,115</b>	<b>18</b>	<b>2,133</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,012</b>
Net interest income	—	1,919	1,919	—	(14)	(14)	—	—	—	1,905
Total other income	—	(1)	(1)	—	—	—	—	111	111	110
<b>Total revenue</b>	<b>\$ 6,645</b>	<b>\$ 3,152</b>	<b>\$ 9,797</b>	<b>\$ 2,115</b>	<b>\$ 4</b>	<b>\$ 2,119</b>	<b>\$ —</b>	<b>\$ 111</b>	<b>\$ 111</b>	<b>\$ 12,027</b>
Year Ended December 31, 2020										
(Dollars in millions)	Investment Servicing			Investment Management			Other			Total
	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	2020
	\$ 5,167	\$ —	\$ 5,167	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,167
Servicing fees	—	—	—	1,880	—	1,880	—	—	—	1,880
Management fees	377	922	1,299	64	—	64	—	—	—	1,363
Foreign exchange trading services	212	130	342	—	14	14	—	—	—	356
Securities finance	487	219	706	—	27	27	—	—	—	733
<b>Total fee revenue</b>	<b>6,243</b>	<b>1,271</b>	<b>7,514</b>	<b>1,944</b>	<b>41</b>	<b>1,985</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,499</b>
Net interest income	—	2,211	2,211	—	(11)	(11)	—	—	—	2,200
Total other income	—	4	4	—	—	—	—	—	—	4
<b>Total revenue</b>	<b>\$ 6,243</b>	<b>\$ 3,486</b>	<b>\$ 9,729</b>	<b>\$ 1,944</b>	<b>\$ 30</b>	<b>\$ 1,974</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,703</b>
Year Ended December 31, 2019										
(Dollars in millions)	Investment Servicing			Investment Management			Other			Total
	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	2019
	\$ 5,074	\$ —	\$ 5,074	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,074
Servicing fees	—	—	—	1,824	—	1,824	—	—	—	1,824
Management fees	346	628	974	84	—	84	—	—	—	1,058
Foreign exchange trading services	259	203	462	—	9	9	—	—	—	471
Securities finance	456	235	691	—	29	29	—	—	—	720
<b>Total fee revenue</b>	<b>6,135</b>	<b>1,066</b>	<b>7,201</b>	<b>1,908</b>	<b>38</b>	<b>1,946</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,147</b>
Net interest income	—	2,590	2,590	—	(24)	(24)	—	—	—	2,566
Total other income	—	43	43	—	—	—	—	—	—	43
<b>Total revenue</b>	<b>\$ 6,135</b>	<b>\$ 3,699</b>	<b>\$ 9,834</b>	<b>\$ 1,908</b>	<b>\$ 14</b>	<b>\$ 1,922</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,756</b>

**Contract balances and contract costs**

As of December 31, 2021 and December 31, 2020, net receivables of \$2.76 billion and \$2.68 billion, respectively, are included in accrued interest and fees receivable, representing amounts billed or currently billable related to revenue from contracts with customers. As performance obligations are satisfied, we have an unconditional right to payment and billing is generally performed monthly; therefore, we do not have significant contract assets or liabilities.

No adjustments are made to the promised amount of consideration for the effects of a significant financing component as the period between when we transfer a promised service to a customer and when the customer pays for that service is expected to be one year or less.

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**Note 26. Non-U.S. Activities**

We define our non-U.S. activities as those revenue-producing business activities that arise from clients which are generally serviced or managed outside the U.S. Due to the integrated nature of our business, precise segregation of our U.S. and non-U.S. activities is not possible.

Subjective estimates, assumptions and other judgments are applied to quantify the financial results and assets related to our non-U.S. activities, including our application of funds transfer pricing, our asset and liability management policies and our allocation of certain indirect corporate expenses. Management periodically reviews and updates its processes for quantifying the financial results and assets related to our non-U.S. activities.

The following table presents our U.S. and non-U.S. financial results for the periods indicated:

(In millions)	Years Ended December 31,								
	2021			2020			2019		
	Non-U.S. <sup>(1)</sup>	U.S.	Total	Non-U.S. <sup>(1)</sup>	U.S.	Total	Non-U.S. <sup>(1)</sup>	U.S.	Total
Total revenue	\$ 5,371	\$ 6,656	\$ 12,027	\$ 5,177	\$ 6,526	\$ 11,703	\$ 5,230	\$ 6,526	\$ 11,756
Income before income tax expense	1,522	1,649	3,171	1,326	1,573	2,899	1,248	1,464	2,712

<sup>(1)</sup>Geographic mix is generally based on the domicile of the entity servicing the funds and is not necessarily representative of the underlying asset mix.

Non-U.S. assets were \$102.61 billion and \$111.30 billion as of December 31, 2021 and 2020, respectively.

**Note 27. Parent Company Financial Statements**

The following tables present the financial statements of the Parent Company without consolidation of its banking and non-banking subsidiaries, as of and for the years indicated:

**Statement of Income - Parent Company**

(In millions)	Years Ended December 31,		
	2021	2020	2019
Cash dividends from consolidated banking subsidiary	\$ —	\$ 2,721	\$ 3,300
Cash dividends from consolidated non-banking subsidiaries and unconsolidated entities	170	118	285
Other, net	49	92	149
Total revenue	219	2,931	3,734
Interest expense	239	324	415
Other expenses	315	172	108
Total expenses	554	496	523
Income tax (benefit)	(153)	(109)	(91)
Income (Loss) before equity in undistributed income of consolidated subsidiaries and unconsolidated entities	(182)	2,544	3,302
Equity in undistributed income of consolidated subsidiaries and unconsolidated entities:			
Consolidated banking subsidiary	2,657	(277)	(1,070)
Consolidated non-banking subsidiaries and unconsolidated entities	218	153	10
Net income	<u>\$ 2,693</u>	<u>\$ 2,420</u>	<u>\$ 2,242</u>

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**Statement of Condition - Parent Company**

(In millions)	As of December 31,	
	2021	2020
<b>Assets:</b>		
Interest-bearing deposits with consolidated banking subsidiary	\$ 482	\$ 492
Trading account assets	440	412
Investment securities available-for-sale	150	100
Investments in subsidiaries:		
Consolidated banking subsidiary	27,821	26,204
Consolidated non-banking subsidiaries	9,060	8,807
Unconsolidated entities	122	124
Notes and other receivables from:		
Consolidated banking subsidiary	80	81
Consolidated non-banking subsidiaries and unconsolidated entities	5,029	3,885
Other assets	256	277
<b>Total assets</b>	<b>\$ 43,440</b>	<b>\$ 40,382</b>
<b>Liabilities:</b>		
Notes and other payables to consolidated banking and non-banking subsidiaries and unconsolidated entities	\$ 2,303	\$ 104
Accrued expenses and other liabilities	523	453
Long-term debt	13,250	13,625
<b>Total liabilities</b>	<b>16,076</b>	<b>14,182</b>
<b>Shareholders' equity</b>	<b>27,364</b>	<b>26,200</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 43,440</b>	<b>\$ 40,382</b>

**Statement of Cash Flows - Parent Company**

(In millions)	Years Ended December 31,		
	2021	2020	2019
<b>Net cash (used in) provided by operating activities</b>			
Net cash (used in) provided by operating activities	\$ (116)	\$ 3,513	\$ 2,684
<b>Investing Activities:</b>			
Net decrease (increase) in interest-bearing deposits with consolidated banking subsidiary	10	(64)	58
Proceeds from sales and maturities of available-for-sale securities	525	1,000	900
Purchases of available-for-sale securities	(575)	(849)	(921)
Investments in consolidated banking and non-banking subsidiaries	(6,288)	(7,406)	(6,165)
Sale or repayment of investment in consolidated banking and non-banking subsidiaries	7,006	4,999	5,345
Net cash provided by (used in) investing activities	678	(2,320)	(783)
<b>Financing Activities:</b>			
Proceeds from issuance of long-term debt, net of issuance costs	1,343	2,489	1,495
Payments for long-term debt	(1,500)	(1,700)	(50)
Payments for redemption of preferred stock	(500)	(500)	(750)
Proceeds from issuance of common stock, net of issuance costs	1,900	—	—
Repurchases of common stock	(900)	(515)	(1,585)
Repurchases of common stock for employee tax withholding	(39)	(78)	(81)
Payments for cash dividends	(866)	(889)	(930)
Net cash (used in) provided by financing activities	(562)	(1,193)	(1,901)
Net change	—	—	—
Cash and due from banks at beginning of year	—	—	—
Cash and due from banks at end of year	\$ —	\$ —	\$ —

**Note 28. Subsequent Events**

On February 7, 2022, we issued \$300 million aggregate principal amount of fixed-to-floating rate senior notes due 2026, \$650 million aggregate principal amount of fixed-to-floating rate senior notes due 2028 and \$550 million aggregate principal amount of fixed-to-floating rate senior notes due 2033.

## STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

### Distribution of Average Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential (Unaudited)

The following table presents consolidated average statements of condition and NII for the years indicated:

(Dollars in millions; fully taxable-equivalent basis)	Years Ended December 31,									
	2021			2020			2019			
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	
<b>Assets:</b>										
Interest-bearing deposits with U.S. banks	\$ 28,584	\$ 41	.14 %	\$ 30,866	\$ 101	.33 %	\$ 16,815	\$ 360	2.14 %	
Interest-bearing deposits with non-U.S. banks	<u>61,412</u>	<u>(56)</u>	<u>(.09)</u>	45,722	(25)	(.06)	31,685	56	.18	
Securities purchased under resale agreements	4,193	27	.63	3,452	126	3.64	2,506	364	14.54	
Trading account assets	752	—	.01	878	—	—	884	1	.11	
Investment securities:										
U.S. Treasury and federal agencies <sup>(1)</sup>	66,195	873	1.32	60,816	1,174	1.93	56,639	1,443	2.55	
State and political subdivisions <sup>(1)</sup>	1,451	44	3.06	1,717	51	2.95	1,869	62	3.31	
Other investments	<u>43,770</u>	<u>331</u>	<u>.76</u>	38,459	366	.95	33,260	504	1.51	
Investment securities held-to-maturity purchased under money market liquidity facility	314	4	1.35	8,183	117	1.43	—	—	—	
Loans	<u>31,009</u>	<u>640</u>	<u>2.07</u>	27,525	627	2.28	24,073	775	3.22	
Other interest-earning assets	<u>22,355</u>	<u>17</u>	<u>.08</u>	<u>11,256</u>	<u>55</u>	<u>.49</u>	<u>14,160</u>	<u>395</u>	<u>2.79</u>	
Total interest-earning assets <sup>(1)</sup>	<u>260,035</u>	<u>1,921</u>	<u>.74</u>	228,874	2,592	1.13	181,891	3,960	2.18	
Cash and due from banks	5,057			3,849			3,390			
Other assets	<u>34,651</u>			<u>36,611</u>			<u>38,053</u>			
Total assets	<u><u>\$ 299,743</u></u>			<u><u>\$ 269,334</u></u>			<u><u>\$ 223,334</u></u>			
<b>Liabilities and shareholders' equity:</b>										
Interest-bearing deposits:										
Time	\$ —	\$ —	— %	\$ 7,114	\$ 23	.32 %	\$ 20,443	\$ 222	1.08 %	
Savings	<u>104,848</u>	<u>10</u>	<u>.01</u>	80,330	91	.11	47,104	317	.67	
Non-U.S.	<u>82,126</u>	<u>(273)</u>	<u>(.33)</u>	<u>68,806</u>	<u>(231)</u>	<u>(.34)</u>	<u>61,301</u>	<u>124</u>	<u>.20</u>	
Total interest-bearing deposits	<u>186,974</u>	<u>(263)</u>	<u>(.14)</u>	156,250	(117)	(0.07)	128,848	663	.51	
Securities sold under repurchase agreements	667	—	—	2,615	4	.14	1,616	31	1.90	
Short-term borrowings under money market liquidity facility	315	4	1.21	8,207	101	1.22	—	—	—	
Other short-term borrowings	788	2	.21	2,226	18	.78	1,524	21	1.37	
Long-term debt	<u>13,383</u>	<u>219</u>	<u>1.64</u>	14,371	312	2.17	11,474	414	3.61	
Other interest-bearing liabilities	<u>5,486</u>	<u>41</u>	<u>.75</u>	<u>3,176</u>	<u>57</u>	<u>1.82</u>	<u>4,103</u>	<u>246</u>	<u>6.00</u>	
Total interest-bearing liabilities	<u>207,613</u>	<u>3</u>	<u>—</u>	186,845	375	.20	147,565	1,375	.93	
Non-interest-bearing deposits:										
Special time	—			7,196			15,338			
Demand	<u>47,747</u>			29,187			13,552			
Non-U.S. <sup>(2)</sup>	<u>683</u>			592			524			
Other liabilities	<u>17,615</u>			20,464			21,299			
Shareholders' equity	<u>26,085</u>			<u>25,050</u>			<u>25,056</u>			
Total liabilities and shareholders' equity	<u><u>\$ 299,743</u></u>			<u><u>\$ 269,334</u></u>			<u><u>\$ 223,334</u></u>			
Net interest income, fully taxable-equivalent basis	<u><u>\$ 1,918</u></u>			<u><u>\$ 2,217</u></u>			<u><u>\$ 2,585</u></u>			
Excess of rate earned over rate paid			.74 %			.93 %			1.25 %	
Net interest margin <sup>(3)</sup>			.74			.97			1.42	

<sup>(1)</sup> Fully taxable-equivalent revenue is a method of presentation in which the tax savings achieved by investing in tax-exempt investment securities and certain leases are included in interest income with a corresponding charge to income tax expense. This method facilitates the comparison of the performance of these assets. The adjustments are computed using a federal income tax rate of 21% for periods ending in 2021, 2020 and 2019, adjusted for applicable state income taxes, net of the related federal tax benefit. The fully taxable-equivalent adjustments included in interest income presented above were \$13 million, \$17 million and \$19 million for the years ended December 31, 2021, 2020 and 2019, respectively, and were substantially related to tax-exempt securities (state and political subdivisions).

<sup>(2)</sup> Non-U.S. non-interest-bearing deposits were \$968 million, \$784 million and \$820 million as of December 31, 2021, 2020 and 2019, respectively.

<sup>(3)</sup> NIM is calculated by dividing fully taxable-equivalent NII by average total interest-earning assets.

## STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES (CONTINUED)

The following table summarizes changes in fully taxable-equivalent interest income and interest expense due to changes in volume of interest-earning assets and interest-bearing liabilities, and due to changes in interest rates. Changes attributed to both volumes and rates have been allocated based on the proportion of change in each category.

Years Ended December 31, (Dollars in millions; fully taxable-equivalent basis)	2021 Compared to 2020			2020 Compared to 2019		
	Change in Volume	Change in Rate	Net (Decrease) Increase	Change in Volume	Change in Rate	Net (Decrease) Increase
<b>Interest income related to:</b>						
Interest-bearing deposits with U.S. banks	\$ (8)	\$ (52)	\$ (60)	\$ 301	\$ (560)	\$ (259)
Interest-bearing deposits with non-U.S. banks	(9)	(22)	(31)	25	(106)	(81)
Securities purchased under resale agreements	27	(126)	(99)	138	(376)	(238)
Trading account assets	—	—	—	—	(1)	(1)
Investment securities:						
U.S. Treasury and federal agencies	104	(405)	(301)	107	(376)	(269)
State and political subdivisions	(8)	1	(7)	(5)	(6)	(11)
Other investments	50	(85)	(35)	79	(217)	(138)
Investment securities held-to-maturity purchased under money market liquidity facility	(113)	—	(113)	—	117	117
Loans	79	(66)	13	111	(259)	(148)
Other interest-earning assets	54	(92)	(38)	(81)	(259)	(340)
Total interest-earning assets	176	(847)	(671)	675	(2,043)	(1,368)
<b>Interest expense related to:</b>						
Deposits:						
Time	(23)	—	(23)	(144)	(55)	(199)
Savings	28	(109)	(81)	224	(450)	(226)
Non-U.S.	(45)	3	(42)	15	(370)	(355)
Securities sold under repurchase agreements	(3)	(1)	(4)	19	(46)	(27)
Short-term borrowings under money market liquidity facility	(96)	(1)	(97)	—	101	101
Other short-term borrowings	(11)	(5)	(16)	10	(13)	(3)
Long-term debt	(21)	(72)	(93)	105	(207)	(102)
Other interest-bearing liabilities	42	(58)	(16)	(56)	(133)	(189)
Total interest-bearing liabilities	(129)	(243)	(372)	173	(1,173)	(1,000)
Net interest income	<b>\$ 305</b>	<b>\$ (604)</b>	<b>\$ (299)</b>	<b>\$ 502</b>	<b>\$ (870)</b>	<b>\$ (368)</b>

## ACRONYMS

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ABS	Asset-backed securities	IDI	Insured Depository Institution
AFS	Available-for-sale	LCR <sup>(1)</sup>	Liquidity coverage ratio
AML	Anti-money laundering	LIHTC	Low income housing tax credits
AOCI	Accumulated other comprehensive income (loss)	LDA model	Loss distribution approach model
ASU	Accounting Standards Update	LIBOR	London Interbank Offered Rate
AUC/A	Assets under custody and/or administration	LTD	Long-term debt
AUM	Assets under management	MBS	Mortgage-backed securities
BBH	Brown Brothers Harriman & Co	MMLF	Money Market Mutual Fund Liquidity Facility
BCC	Business Conduct Committee	MRAC	Management Risk and Capital Committee
bps	Basis points	MRC	Model Risk Committee
CAP	Capital adequacy process	MRM	Model Risk Management
CCAR	Comprehensive Capital Analysis and Review	MVG	Model Validation Group
CECL	Current Expected Credit Loss	NII	Net interest income
CET1 <sup>(1)</sup>	Common equity tier 1	NIM	Net interest margin
CFTC	Commodity Futures Trading Commission	NOL	Net Operating Loss
CIS	Corporate Information Security	NSFR <sup>(1)</sup>	Net stable funding ratio
CLO	Collateralized Loan Obligation	OCC	Office of the Comptroller of the Currency
CMRC	Credit and Market Risk Committee	ORM	Operational risk management
COSO	Committee of Sponsoring Organizations of the Treadway Commission	OTC	Over-the-counter
CRD	Charles River Development	OTTI	Other-than-temporary-impairment
CRO	Chief Risk Officer	PCA	Prompt corrective action
CVA	Credit valuation adjustment	PCAOB	Public Company Accounting Oversight Board
DOJ	Department of Justice	PD <sup>(1)</sup>	Probability-of-default
DOL	Department of Labor	P&L	Profit-and-loss
E&A Committee	Examining and Audit Committee	RC	Risk Committee
ECB	European Central Bank	RWA <sup>(1)</sup>	Risk-weighted asset
EGRRCPA	Economic Growth, Regulatory Relief, and Consumer Protection Act	SA-CCR	Standardized approach for counterparty credit risk
EPS	Earnings per share	SCB	Stress Capital Buffer
ERM	Enterprise Risk Management	SEC	Securities and Exchange Commission
ESG	Environmental, social and governance	SIFI	Systemically important financial institutions
ETF	Exchange-Traded Fund	SLB	Stress Leverage Buffer
EVE	Economic value of equity	SLR <sup>(1)</sup>	Supplementary leverage ratio
FDIC	Federal Deposit Insurance Corporation	SPDR	Spider; Standard and Poor's depository receipt
FHLB	Federal Home Loan Bank of Boston	SPOE Strategy	Single Point of Entry Strategy
FICC	Fixed Income Clearing Corporation	SSIF	State Street Intermediate Funding, LLC
FTE	Fully taxable-equivalent	TCJA	Tax Cuts and Jobs Act
FSOC	Financial Stability Oversight Council	TLAC <sup>(1)</sup>	Total loss-absorbing capacity
FX	Foreign exchange	TOPS	Technology and Operations Committee
GAAP	Generally accepted accounting principles	TORC	Technology and Operational Risk Committee
GCR	Global credit review	UCITS	Undertakings for Collective Investments in Transferable Securities
GDPR	General data protection regulation	UOM	Unit of measure
G-SIB	Global systemically important bank	VaR	Value-at-Risk
HQLA <sup>(1)</sup>	High-quality liquid assets	VIE	Variable interest entity
HRC	Human Resources Committee	WD	Withdrawn
HTM	Held-to-maturity		

<sup>(1)</sup> As defined by the applicable U.S. regulations.

## GLOSSARY

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**Asset-backed securities:** A financial security backed by collateralized assets, other than real estate or mortgage backed securities.

**Assets under custody and/or administration:** Assets that we hold directly or indirectly on behalf of clients under a safekeeping or custody arrangement or for which we provide administrative services for clients. To the extent that we provide more than one AUC/A service (including back and middle office services) for a client's assets, the value of the asset is only counted once in the total amount of AUC/A.

**Assets under management:** The total market value of client assets for which we provide investment management strategy services, advisory services and/or distribution services generating management fees based on a percentage of the assets' market values. These client assets are not included on our balance sheet. Assets under management include managed assets lost but not liquidated. Lost business occurs from time to time and it is difficult to predict the timing of client behavior in transitioning these assets as the timing can vary significantly.

**Beacon:** A multi-year program, announced in October 2015, to create cost efficiencies through changes in our operational processes and to further digitize our processes and interfaces with our clients.

**Certificates of deposit:** A savings certificate with a fixed maturity date, specified fixed interest rate and can be issued in any denomination aside from minimum investment requirements. A CD restricts access to the funds until the maturity date of the investment.

**Collateralized loan obligations:** A loan or security backed by a pool of debt, primarily senior secured leveraged loans. CLOs are similar to collateralized mortgage obligations, except for the different type of underlying loan. With a CLO, the investor receives scheduled loan or debt payments from the underlying loans, assuming most of the risk in the event borrowers default, but is offered greater diversity and the potential for higher-than-average returns.

**Commercial real estate:** Property intended to generate profit from capital gains or rental income. CRE loans are term loans secured by commercial and multifamily properties. We seek CRE loans with strong competitive positions in major domestic markets, stable cash flows, modest leverage and experienced institutional ownership.

**Deposit beta:** A measure of how much of an interest rate increase is expected to be passed on to client interest-bearing accounts, on average.

**Depot bank:** A German term, specified by the country's law on investment companies, which essentially corresponds to 'custodian'.

**Doubtful:** Doubtful loans and leases meet the same definition of substandard loans and leases (i.e., well-defined weaknesses that jeopardize repayment with the possibility that we will sustain some loss) with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable.

**Economic value of equity:** A measure designed to estimate the fair value of assets, liabilities and off-balance sheet instruments based on a discounted cash flow model.

**Exchange-Traded Fund:** A type of exchange-traded investment product that offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool. ETF shares are traded on a national stock exchange and at market prices that may or may not be the same as the net asset value.

**Exposure-at-default:** A measure used in the calculation of regulatory capital under Basel III final rule. It can be defined as the expected amount of loss a bank may be exposed to upon default of an obligor.

**Global systemically important bank:** A financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity, which will be subject to additional capital requirements.

**Held-to-maturity investment securities:** We classify investments in debt securities as held-to-maturity only if we have the positive intent and ability to hold those securities to maturity. Investments in debt securities classified as held-to-maturity are measured subsequently at amortized cost in the statement of financial position.

**High-quality liquid assets:** Cash or assets that can be converted into cash at little or no loss of value in private markets and are considered unencumbered.

**Investment grade:** A rating of loans and leases to counterparties with strong credit quality and low expected credit risk and probability of default. It applies to counterparties with a strong capacity to support the timely repayment of any financial commitment.

**Liquidity coverage ratio:** The ratio of encumbered high-quality liquid assets divided by expected total net cash outflows over a 30-day stress period. A Basel III framework requirement for banks and bank holding companies to measure liquidity, it is designed to ensure that certain banking institutions, including us, maintain a minimum amount of unencumbered HQLA sufficient to withstand the net cash outflow under a hypothetical standardized acute liquidity stress scenario for a 30-day stress period.

**Net asset value:** The amount of net assets attributable to each share/unit of the fund at a specific date or time.

**Net stable funding ratio:** The ratio of the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis.

**Other-than-temporary-impairment:** Impairment charge taken on a security whose fair value has fallen below its carrying value on balance sheet and its value is not expected to recover through the holding period of the security.

**Probability of default:** A measure of the likelihood that a credit obligor will enter into default status.

**Qualified financial contracts:** Securities contracts, commodity contracts, forward contracts, repurchase agreements, swap agreements and any other contract determined by the FDIC to be a qualified financial contract.

**Risk-weighted assets:** A measurement used to quantify risk inherent in our on and off-balance sheet assets by adjusting the asset value for risk. RWA is used in the calculation of our risk-based capital ratios.

**Special mention:** Loans and leases that consist of counterparties with potential weaknesses that, if uncorrected, may result in deterioration of repayment prospects.

**Speculative:** Loans and leases that consist of counterparties that face ongoing uncertainties or exposure to business, financial, or economic downturns. However, these counterparties may have financial flexibility or access to financial alternatives, which allow for financial commitments to be met.

**Substandard:** Loans and leases that consist of counterparties with well-defined weakness that jeopardizes repayment with the possibility we will sustain some loss.

**Supplementary leverage ratio:** The ratio of our tier 1 capital to our total leverage exposure, which measures our capital adequacy relative to our on and off-balance sheet assets.

**Total loss-absorbing capacity:** The sum of our tier 1 regulatory capital plus eligible external long-term debt issued by us.

**Value-at-Risk:** Statistical model used to measure the potential loss in value of a portfolio that could occur in normal markets condition, over a defined holding period, within a certain confidence level.

**Variable interest entity:** An entity that: (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (2) has equity owners that lack the right to make significant decisions affecting the entity's operations; and/or (3) has equity owners that do not have an obligation to absorb or the right to receive the entity's losses or return.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

State Street has established and maintains disclosure controls and procedures that are designed to ensure that material information related to State Street and its subsidiaries on a consolidated basis required to be disclosed in its reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to State Street's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. For the year ended December 31, 2021, State Street's management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of State Street's disclosure controls and procedures. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that State Street's disclosure controls and procedures were effective as of December 31, 2021.

State Street has also established and maintains internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in conformity with U.S. GAAP. In the ordinary course of business, State Street routinely enhances its internal controls and procedures for financial reporting by either upgrading its current systems or implementing new systems. Changes have been made and may be made to State Street's internal controls and procedures for financial reporting as a result of these efforts. During the quarter ended December 31, 2021, no change occurred in State Street's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, State Street's internal control over financial reporting.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

### **Management's Report on Internal Control Over Financial Reporting**

The management of State Street is responsible for establishing and maintaining adequate internal control over financial reporting.

State Street's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. State Street's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of State Street; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of State Street are being made only in accordance with authorizations of management and directors of State Street; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of State Street's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of State Street's internal control over financial reporting as of December 31, 2021 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013).

Based on that assessment, management concluded that, as of December 31, 2021, State Street's internal control over financial reporting is effective.

The effectiveness of State Street's internal control over financial reporting as of December 31, 2021 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their accompanying report, which follows this report.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of State Street Corporation

### **Opinion on Internal Control over Financial Reporting**

We have audited State Street Corporation's (the "Corporation") internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the 2021 consolidated financial statements of the Corporation and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 17, 2022

## **ITEM 9B. OTHER INFORMATION**

None.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information concerning our directors will appear in our Proxy Statement for the 2022 Annual Meeting of Shareholders, to be filed pursuant to Regulation 14A on or before May 2, 2022, referred to as the 2022 Proxy Statement, under the caption "Election of Directors." Information concerning compliance with Section 16(a) of the Exchange Act, if required, will appear in our 2022 Proxy Statement under the caption "Delinquent Section 16(a) Reports." Information concerning our Code of Ethics for Senior Financial Officers and our Examining and Audit Committee will appear in our 2022 Proxy Statement under the caption "Corporate Governance at State Street." Such information is incorporated herein by reference.

Information about our executive officers is included under Part I.

### **ITEM 11. EXECUTIVE COMPENSATION**

Information in response to this item will appear in our 2022 Proxy Statement under the captions "Executive Compensation" and "Non-Management Director Compensation." Such information is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information concerning security ownership of certain beneficial owners and management will appear in our 2022 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management." Such information is incorporated herein by reference.

### **RELATED STOCKHOLDER MATTERS**

The following table presents the number of outstanding common stock awards, options, warrants and rights granted by State Street to participants in our equity compensation plans, as well as the number of securities available for future issuance under these plans, as of December 31, 2021. The table provides this information separately for equity compensation plans that have and have not been approved by shareholders. Shares presented in the table and in the footnotes following the table are stated in thousands of shares.

(Shares in thousands)	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<b>Plan category:</b>			
Equity compensation plans approved by shareholders	8,366 <sup>(2)</sup>	\$ —	16,905
Equity compensation plans not approved by shareholders	18 <sup>(3)</sup>	—	—
Total	<u><u>8,384</u></u>	—	<u><u>16,905</u></u>

<sup>(1)</sup> Excludes deferred stock awards and performance awards for which there is no exercise price.

<sup>(2)</sup> Consists of 5,777 thousand shares subject to deferred stock awards, zero shares subject to stock options, zero stock appreciation rights and 2,589 thousand shares subject to performance awards (assuming payout at 100% for all awards, including awards for which performance is uncertain).

<sup>(3)</sup> Consists of shares subject to deferred stock awards.

Individual directors who are not our employees have received stock awards and cash retainers, both of which may be deferred. Directors may elect to receive shares of our common stock in place of cash. If payment is in the form of common stock, the number of shares is determined by dividing the approved cash amount by the closing price on the date of the annual shareholders' meeting or date of grant, if different. All deferred shares, whether stock awards or common stock received in place of cash retainers, are increased to reflect dividends paid on the common

stock and, for certain directors, may include share amounts in respect of an accrual under a terminated retirement plan.

Pursuant to State Street's Deferred Compensation Plan for Directors, non-employee directors may elect to defer the receipt of 0% or 100% of their (1) retainers, (2) meeting fees or (3) annual equity grant award. Non-employee directors also may elect to receive their retainers in cash or shares of common stock. Non-employee directors who elect to defer the cash payment of their retainers or meeting fees may choose from four notional investment fund returns for such deferred cash. Deferrals of common stock are adjusted to reflect the hypothetical reinvestment in additional shares of common stock for any dividends or distributions on State Street common stock. Deferred amounts will be paid (a) as elected by the non-employee director, on either the date of their termination of service on the Board or on the earlier of such termination and a future date specified, and (b) in the form elected by the non-employee director as either a lump sum or in installments over a two- to five-year period.

Stock awards totaling 232,391 shares of common stock were outstanding as of December 31, 2021; awards made through June 30, 2003, totaling 18,324 shares outstanding as of December 31, 2021, have not been approved by shareholders. There are no other equity compensation plans under which our equity securities are authorized for issuance that have been adopted without shareholder approval. Awards of stock made or retainer shares paid to individual directors after June 30, 2003 have been or will be made under our 1997, 2006 or 2017 Equity Incentive Plan, which were approved by shareholders.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information concerning certain relationships and related transactions and director independence will appear in our 2022 Proxy Statement under the caption "Corporate Governance at State Street." Such information is incorporated herein by reference.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information concerning principal accounting fees and services and the Examining and Audit Committee's pre-approval policies and procedures will appear in our 2022 Proxy Statement under the caption "Examining and Audit Committee Matters." Such information is incorporated herein by reference.

## **PART IV.**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

#### **(A)(1) FINANCIAL STATEMENTS**

The following consolidated financial statements of State Street are included in Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Statement of Income - Years ended December 31, 2021, 2020 and 2019

Consolidated Statement of Comprehensive Income - Years ended December 31, 2021, 2020 and 2019

Consolidated Statement of Condition - As of December 31, 2021 and 2020

Consolidated Statement of Changes in Shareholders' Equity - Years ended December 31, 2021, 2020 and 2019

Consolidated Statement of Cash Flows - Years ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

#### **(A)(2) FINANCIAL STATEMENT SCHEDULES**

Certain schedules to the consolidated financial statements have been omitted if they were not required by Article 9 of Regulation S-X or if, under the related instructions, they were inapplicable, or the information was contained elsewhere herein.

#### **(A)(3) EXHIBITS**

The exhibits listed in the Exhibit Index preceding the signature page in this Form 10-K are filed herewith or are incorporated herein by reference to other SEC filings.

### **ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## EXHIBIT INDEX

- \* 3.1 Restated Articles of Organization, as amended (filed as Exhibit 3.1 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended September 30, 2018 filed with the SEC on October 31, 2018 and incorporated herein by reference)
- \* 3.2 By-laws, as amended (filed as Exhibit 3.1 to State Street's Current Report on Form 8-K (File No.001-07511) filed with the SEC on February 20, 2020 and incorporated herein by reference)
- \* 4.1 Description of Securities Registered under Section 12 of the Exchange Act
- \* 4.2 Deposit Agreement, dated March 4, 2014, among State Street Corporation, American Stock Transfer & Trust Company, LLC (as depositary), and the holders from time to time of depositary receipts (filed as Exhibit 4.1 to State Street's Current Report on Form 8-K (File No. 001-07511) dated March 4, 2014 filed with the SEC on March 4, 2014 and incorporated herein by reference)
- \* 4.3 Deposit Agreement dated May 21, 2015, among State Street Corporation, American Stock Transfer & Trust Company, LLC (as depositary) and the holders from time to time of depositary receipts (filed as Exhibit 4.1 to State Street's Current Report on Form 8-K (File No. 001-7511) dated May 21, 2015 filed with the SEC on May 21, 2015 and incorporated herein by reference)
- \* 4.4 Deposit Agreement dated April 11, 2016, among State Street Corporation, American Stock Transfer & Trust Company, LLC (as depositary) and the holders from time to time of depositary receipts (filed as Exhibit 4.1 to State Street's Current Report on Form 8-K (File No. 001-7511) dated April 11, 2016 filed with the SEC on April 11, 2016 and incorporated herein by reference)
- \* 4.5 Deposit Agreement dated September 27, 2018, among State Street Corporation, American Stock Transfer & Trust Company, LLC (as depositary) and the holders from time to time of the depositary receipts (filed as Exhibit 4.3 to State Street's Current Report on Form 8-K (File No. 001-07511) filed with the SEC on September 27, 2018 and incorporated herein by reference)

(Note: None of the instruments defining the rights of holders of State Street's outstanding long-term debt are in respect of indebtedness in excess of 10% of the total assets of State Street and its subsidiaries on a consolidated basis. State Street hereby agrees to furnish to the SEC upon request a copy of any other instrument with respect to long-term debt of State Street and its subsidiaries.)
- \* 10.1† State Street's Executive Supplemental Retirement Plan, as amended and restated, and First, Second and Third Amendments thereto (filed as Exhibit 10.2 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2020 filed with the SEC on February 19, 2021 and incorporated herein by reference)
- \* 10.2† Supplemental Cash Incentive Plan, as amended, First and Second Amendments thereto, and form of award agreement thereunder (filed as Exhibit 10.1 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended March 31, 2021 filed with the SEC on April 23, 2021 and incorporated herein by reference)
- \* 10.3† State Street's 2017 Stock Incentive Plan, and forms of award agreements thereunder (filed as Exhibit 10.2 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended March 31, 2021 filed with the SEC on April 23, 2021 and incorporated herein by reference)
- \* 10.4† State Street's Management Supplemental Savings Plan, Amended and Restated, as amended (filed as Exhibit 10.10 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2016 filed with the SEC on February 17, 2017 and incorporated herein by reference)
- \* 10.5† Deferred Compensation Plan for Directors of State Street Corporation, Restated January 1, 2007, as amended (filed as Exhibit 10.12 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2011 filed with the SEC on February 27, 2012 and incorporated herein by reference)

- \* 10.6† Deferred Compensation Plan for Directors of State Street Corporation, Restated January 1, 2021, as amended (filed as Exhibit 10.1 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended June 30, 2020 filed with the SEC on July 27, 2020 and incorporated herein by reference)
- \* 10.7 Deferred Prosecution Agreement dated January 17, 2017 between State Street Corporation and the U.S. Department of Justice and United States Attorney for the District of Massachusetts (filed as Exhibit 10.14 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2016 filed with the SEC on February 17, 2017 and incorporated herein by reference)
- \* 10.8 Deferred Prosecution Agreement dated May 13, 2021 between State Street Corporation and the Office of the United States Attorney for the District of Massachusetts (filed as Exhibit 10.1 to State Street's Current Report on Form 8-K (File No. 001-07511) filed with the SEC on May 14, 2021 and incorporated herein by reference)
- \* 10.9† Description of compensation arrangements for non-employee directors
- \* 10.10† State Street's Executive Compensation Trust Agreement dated June 1, 2002 (Rabbi Trust), as amended (filed as Exhibit 10.22 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2017 filed with the SEC on February 26, 2018 and incorporated herein by reference)
- \* 10.11A† Form of Indemnification Agreement between State Street Corporation and each of its directors (filed as Exhibit 10.18A to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2013 filed with the SEC on February 21, 2014 and incorporated herein by reference)
- \* 10.11B† Form of Indemnification Agreement between State Street Corporation and each of its executive officers (filed as Exhibit 10.18B to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2013 filed with the SEC on February 21, 2014 and incorporated herein by reference)
- \* 10.11C† Form of Indemnification Agreement between State Street Bank and Trust Company and each of its directors (filed as Exhibit 10.18C to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2013 filed with the SEC on February 21, 2014 and incorporated herein by reference)
- \* 10.11D† Form of Indemnification Agreement between State Street Bank and Trust Company and each of its executive officers (filed as Exhibit 10.18D to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2013 filed with the SEC on February 21, 2014 and incorporated herein by reference)
- \* 10.12† Form of employment agreement for executive officers in the United States and Hong Kong (filed as Exhibit 10.1 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended March 31, 2020 filed with the SEC on April 28, 2020 and incorporated herein by reference)
- \* 10.13† Employment Letter Agreements entered into with Andrew Erickson dated August 21, 2012, November 19, 2012, and May 25, 2016 (filed as Exhibit 10.2 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended March 31, 2018 filed with the SEC on May 3, 2018 and incorporated herein by reference)
- \* 10.14† Employment Letter Agreement entered into with Eric Aboaf dated September 22, 2016 (filed as Exhibit 10.1 to State Street's Current Report on Form 8-K (File No. 001-07511) dated September 28, 2016 filed with the SEC on September 28, 2016 and incorporated herein by reference)

* 10.15†	Francisco Aristeguieta Employment Letter Agreement dated June 22, 2021 and Confidentiality, Intellectual Property and Restrictive Covenant Protective Agreement dated July 15, 2019 (filed as Exhibit 10.1 to State Street's Quarterly Report on Form 10-Q (File No. 001-07511) for the quarter ended June 30, 2021 filed with the SEC on July 23, 2021 and incorporated herein by reference)
* 10.16†	State Street Corporation Incentive Compensation Program, Effective January 1, 2019 (filed as Exhibit 10.24 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2018 filed with the SEC on February 21, 2019 and incorporated herein by reference)
* 10.17†	State Street Corporation Cash Award Plan, Effective January 1, 2019 (filed as Exhibit 10.25 to State Street's Annual Report on Form 10-K (File No. 001-07511) for the year ended December 31, 2018 filed with the SEC on February 21, 2019 and incorporated herein by reference)
* 21	Subsidiaries of State Street Corporation
* 23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman, President and Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certifications
* 101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
* 101.SCH	Inline XBRL Taxonomy Extension Schema Document
* 101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
* 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
* 101.LAB	Inline XBRL Taxonomy Label Linkbase Document
* 101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
* 104	Cover Page Interactive Data File (formatted as Inline XBRL and included within the Exhibit 101 attachments)

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† Denotes management contract or compensatory plan or arrangement

\* Exhibit filed with the SEC, but not printed herein

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline Extensible Business Reporting Language): (i) consolidated statement of income for the years ended December 31, 2021, 2020 and 2019, (ii) consolidated statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019, (iii) consolidated statement of condition as of December 31, 2021 and December 31, 2020, (iv) consolidated statement of changes in shareholders' equity for the years ended December 31, 2021, 2020 and 2019, (v) consolidated statement of cash flows for the years ended December 31, 2021, 2020 and 2019, and (vi) notes to consolidated financial statements.

## SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, on February 17, 2022, hereunto duly authorized.

### STATE STREET CORPORATION

By /s/ ERIC W. ABOAF

ERIC W. ABOAF,  
Executive Vice President and  
Chief Financial Officer

By /s/ IAN W. APPLEYARD

IAN W. APPLEYARD,  
Executive Vice President, Global Controller and  
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 17, 2022 by the following persons on behalf of the registrant and in the capacities indicated.

#### OFFICERS:

/s/ RONALD P. O'HANLEY

RONALD P. O'HANLEY,  
Chairman, President and Chief Executive Officer

/s/ ERIC W. ABOAF

ERIC W. ABOAF,  
Executive Vice President and  
Chief Financial Officer

/s/ IAN W. APPLEYARD

IAN W. APPLEYARD,  
Executive Vice President, Global Controller and  
Chief Accounting Officer

#### DIRECTORS:

/s/ MARIE A. CHANDOHA

MARIE A. CHANDOHA

/s/ RONALD P. O'HANLEY

RONALD P. O'HANLEY

/s/ PATRICK de SAINT-AIGNAN

PATRICK de SAINT-AIGNAN

/s/ SEAN P. O'SULLIVAN

SEAN P. O'SULLIVAN

/s/ AMELIA C. FAWCETT

AMELIA C. FAWCETT

/s/ JULIO A. PORTALATIN

JULIO A. PORTALATIN

/s/ WILLIAM C. FREDA

WILLIAM C. FREDA

/s/ JOHN B. RHEA

JOHN B. RHEA

/s/ SARA MATHEW

SARA MATHEW

/s/ RICHARD P. SERGEL

RICHARD P. SERGEL

/s/ WILLIAM L. MEANEY

WILLIAM L. MEANEY

/s/ GREGORY L. SUMME

GREGORY L. SUMME

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Ronald P. O'Hanley, certify that:

1. I have reviewed this Annual Report on Form 10-K of State Street Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2022

By: \_\_\_\_\_ /s/ RONALD P. O'HANLEY

Ronald P. O'Hanley,  
*Chairman, President and Chief Executive Officer*

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Eric W. Aboaf, certify that:

1. I have reviewed this Annual Report on Form 10-K of State Street Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2022

By: \_\_\_\_\_ /s/ ERIC W. ABOAF

Eric W. Aboaf,

*Executive Vice President and Chief Financial Officer*

**SECTION 1350 CERTIFICATIONS**

To my knowledge, this Annual Report on Form 10-K for the period ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of State Street Corporation.

Date: February 17, 2022

By: \_\_\_\_\_ /s/ RONALD P. O'HANLEY  
Ronald P. O'Hanley,  
*Chairman, President and Chief Executive Officer*

Date: February 17, 2022

By: \_\_\_\_\_ /s/ ERIC W. ABOAF  
Eric W. Aboaf,  
*Executive Vice President and Chief Financial Officer*



## APPENDICES

APPENDIX 1

# CORPORATE INFORMATION

## CORPORATE HEADQUARTERS

### **State Street Corporation**

State Street Financial Center  
One Lincoln Street  
Boston, Massachusetts 02111-2900  
Website: [www.statestreet.com](http://www.statestreet.com)  
General Inquiries: +1 617/786-3000

## TRANSFER AGENT

Registered shareholders wishing to change name or address information on their shares, transfer ownership of stock, deposit certificates, report lost certificates, consolidate accounts, authorize direct deposit of dividends, or receive information on our dividend reinvestment plan should contact:

## ANNUAL MEETING

### **Wednesday, May 18, 2022, 9:00 a.m.**

online through a live audiocast at:  
[www.virtualshareholdermeeting.com/STT2022](http://www.virtualshareholdermeeting.com/STT2022)

### **American Stock Transfer & Trust Co., LLC**

c/o Operations Center  
6201 15<sup>th</sup> Avenue  
Brooklyn, New York 11219  
Phone: +1 800/937-5449  
Website: [www.astfinancial.com](http://www.astfinancial.com)  
E-mail: [help@astfinancial.com](mailto:help@astfinancial.com)

## STOCK LISTING

State Street's common stock is listed on the New York Stock Exchange under the ticker symbol STT.

## SHAREHOLDER INFORMATION

For timely information about State Street's consolidated financial results and other matters of interest to shareholders, and to request copies of our news releases and financial reports by mail, please visit our website at:

**[investors.statestreet.com](http://investors.statestreet.com)**

For copies of our Forms 10-Q, quarterly earnings press releases, Forms 8-K, or additional copies of this Annual Report, please visit our website or write to Investor Relations at Corporate Headquarters at:

**[IR@statestreet.com](mailto:IR@statestreet.com)**

Copies are provided without charge.

Investors and analysts interested in additional financial information may contact our Investor Relations department at Corporate Headquarters, telephone +1 617 664 3477.

APPENDIX 2

# BOARD OF DIRECTORS

April 5, 2022



**RONALD P. O'HANLEY**

Chairman and Chief Executive Officer, State Street Corporation



**AMELIA C. FAWCETT**

Lead Director, State Street Corporation, Retired Chairman, Kinnevik AB, a long-term-oriented investment company based in Sweden



**MARIE A. CHANDOZA**

Retired President and Chief Executive Officer, Charles Schwab Investment Management, Inc., the investment management subsidiary of Charles Schwab Corporation



**WILLIAM C. FREDA**

Retired Senior Partner and Vice Chairman, Deloitte LLP, a global professional services firm



**DONNALEE DEMAIO**

Retired Executive Vice President and Global Chief Operating Officer, American International Group, Inc. (AIG), a leading global insurance organization



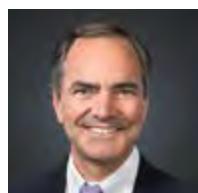
**SARA MATHEW**

Retired Chairman and Chief Executive Officer, Dun & Bradstreet Corporation, an international commercial data and analytics firm



**PATRICK DE SAINT-AIGNAN**

Retired Managing Director and Advisory Director for Morgan Stanley, a global financial services firm



**WILLIAM L. MEANEY**

President, Chief Executive Officer, and Director, Iron Mountain Inc., an information management and data backup and recovery company

**SEAN O'SULLIVAN**

Retired Group Managing Director  
and Group Chief Operating Officer,  
HSBC Holdings, plc., a banking and  
financial services organization

**GREGORY L. SUMME**

Managing Partner and Founder,  
Glen Capital Partners, LLC, an  
alternative asset investment fund

**JULIO A. PORTALATIN**

Retired President and Chief Executive  
Officer, Mercer Consulting Group,  
Inc., a business of Marsh & McLennan  
Companies

**JOHN B. RHEA**

Partner, Centerview Partners  
LLC, an independent investment  
banking and advisory firm

**RICHARD P. SERGEL**

Retired President and Chief Executive  
Officer, North American Electric Reliability  
Corporation, a self-regulatory authority for  
the bulk electricity system in North America

APPENDIX 3

# MANAGEMENT COMMITTEE



**RONALD P. O'HANLEY**

Chairman and Chief  
Executive Officer



**AUNOY BANERJEE**

Executive Vice President  
and Head of Corporate  
Services and Investments



**ERIC W. ABOAF**

Executive Vice President  
and Chief Financial Officer



**ANTHONY C. BISEGNA**

Executive Vice President  
and Head of State Street  
Global Markets



**JÖRG AMBROSIUS**

Executive Vice President  
and Head of Europe,  
Middle East, and Africa



**NADINE CHAKAR**

Executive Vice President and  
Head of State Street Digital<sup>SM</sup>



**FRANCISCO ARISTEGUIETA**

Executive Vice President and  
Chief Executive Officer of  
State Street Institutional Services



**CHRIS COLEMAN**

Executive Vice President  
and Global Head of Sales  
and Coverage



**ANDREW ERICKSON**

Executive Vice President,  
Chief Productivity Officer,  
and Head of International



**KATHY HORGAN**

Executive Vice President  
and Chief Human Resources  
and Citizenship Officer



**PAUL FLEMING**

Executive Vice President  
and Global Head of  
Alternatives Segment



**W. BRADFORD HU**

Executive Vice President  
and Chief Risk Officer



**ANN FOGARTY**

Executive Vice President and  
Head of Global Delivery



**BRENDA LYONS**

Executive Vice President and  
Head of Asset Servicing Product



**BRIAN FRANZ**

Executive Vice President and  
Global Chief Information Officer



**LOU MAIURI**

Executive Vice President  
and Chief Operating Officer

APPENDIX 3

# MANAGEMENT COMMITTEE

(Continued)



**JULIA MCCARTHY**

Executive Vice President and  
Head of Client Experience



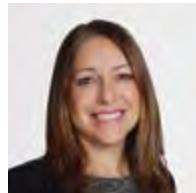
**MICHAEL RICHARDS**

Executive Vice President and  
Chief Administrative Officer



**DONNA MILROD**

Executive Vice President and  
Lead Integration Executive for the  
BBH Investor Services Business



**MARCÍA ROTHSCHILD**

Managing Director,  
Head of Latin America



**DAVID C. PHELAN**

Executive Vice President  
and General Counsel



**MOSTAPHA TAHIRI**

Executive Vice President,  
Head of Asia Pacific



**JOHN PLANSKY**

Executive Vice President and  
Head of State Street Alpha<sup>SM</sup>



**CYRUS TARAPOREVALA**

President and Chief Executive Officer,  
State Street Global Advisors

## APPENDIX 4

# STATE STREET WORLDWIDE

<b>AUSTRALIA</b>	<b>FRANCE</b>	<b>LUXEMBOURG</b>	<b>SWITZERLAND</b>	<i>Georgia</i>
Melbourne	Paris	Luxembourg	Zurich	Atlanta
Sydney				<i>Illinois</i>
<b>AUSTRIA</b>	<b>GERMANY</b>	<b>MALAYSIA</b>	<b>TAIWAN</b>	Chicago
Vienna	Frankfurt	Kuala Lumpur	Taipei City	<i>Massachusetts</i>
	Leipzig			Boston
	Munich			Burlington
<b>BELGIUM</b>	<b>INDIA</b>	<b>NETHERLANDS</b>	<b>THAILAND</b>	Cambridge
Brussels	Bangalore	Amsterdam	Bangkok	Quincy
	Chennai			
<b>BRAZIL</b>	Coimbatore	<b>PEOPLE'S REPUBLIC OF CHINA</b>	<b>UNITED ARAB EMIRATES</b>	<i>Missouri</i>
Sao Paulo	Hyderabad	Beijing	Abu Dhabi	Kansas City
	Mumbai	Hangzhou		
<b>BRUNEI DARUSSALAM</b>	Pune	Hong Kong	<b>UNITED KINGDOM</b>	<i>New Jersey</i>
Bandar Seri Begawan	Vijayawada	Shanghai	<i>England</i>	Clifton
			London	Jersey City
				Princeton
<b>CANADA</b>	<b>IRELAND</b>	<b>POLAND</b>	<b>Scotland</b>	<i>North Carolina</i>
Montreal	Dublin	Gdansk	Edinburgh	Charlotte
Toronto	Kilkenny	Krakow		
Vancouver	Naas		<b>UNITED STATES</b>	<i>Pennsylvania</i>
			Arizona	Berwyn
<b>CAYMAN ISLANDS</b>	<b>ITALY</b>	Riyadh	Scottsdale	<i>Texas</i>
Grand Cayman	Milan			Austin
	Turin	<b>SAUDI ARABIA</b>	<i>California</i>	
		Riyadh	Irvine	
<b>CHANNEL ISLANDS</b>	<b>JAPAN</b>	<b>SINGAPORE</b>	Redwood City	
Jersey	Fukuoka	Singapore	Sacramento	
Saint Helier	Tokyo			
		<b>SOUTH KOREA</b>	<b>Connecticut</b>	
		Seoul	Stamford	

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PCF



## STATE STREET.®

**State Street Corporation**  
One Lincoln Street, Boston, MA 02111

[statestreet.com](http://statestreet.com)

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