

STATE STREET Corp  
Form 10-Q  
May 09, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-07511

**STATE STREET CORPORATION**

(Exact name of registrant as specified in its charter)

Massachusetts

04-2456637

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(State or other jurisdiction

(I.R.S. Employer Identification No.)

of incorporation)

**One Lincoln Street**

**Boston, Massachusetts**

(Address of principal executive office)

**02111**

(Zip Code)

**617-786-3000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of State Street's common stock outstanding on April 29, 2011 was 504,038,676

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**STATE STREET CORPORATION**

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

**GENERAL**

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 this Management's Discussion and Analysis to State Street, we, us, our or similar terms mean State Street Corporation and its subsidiaries on a consolidated basis. Our principal banking subsidiary is State Street Bank and Trust Company, or State Street Bank. At March 31, 2011, we had consolidated total assets of \$171.80 billion, consolidated total deposits of \$107.41 billion, consolidated total shareholders' equity of \$19.18 billion and 29,000 employees.

We are a leader in providing financial services and products to meet the needs of institutional investors worldwide, with \$22.61 trillion of assets under custody and administration and \$2.12 trillion of assets under management as of March 31, 2011. Our clients include U.S. mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers.

We have two lines of business:

*Investment Servicing* provides products and services including custody, product- and participant-level accounting; daily pricing and administration; master trust and master custody; recordkeeping; foreign exchange, brokerage and other trading services; securities finance; deposit and short-term investment facilities; loan and lease financing; investment manager and alternative investment manager operations outsourcing; and performance, risk and compliance analytics.

*Investment Management*, through State Street Global Advisors, or SSgA, provides a broad array of investment management, investment research and other related services, such as securities finance. SSgA offers strategies for managing financial assets, including passive and active, such as enhanced indexing and hedge fund strategies, using quantitative and fundamental methods for both U.S. and global equities and fixed-income securities. SSgA also offers exchange-traded funds.

Financial information about our lines of business is provided in the Line of Business Information section of this Management's Discussion and Analysis and in note 16 to the consolidated financial statements included in this Form 10-Q.

This Management's Discussion and Analysis is part of our Quarterly Report on Form 10-Q for the first quarter of 2011, and updates the Management's Discussion and Analysis in our Annual Report on Form 10-K, or Form 10-K, for the year ended December 31, 2010. You should read the financial information in this Management's Discussion and Analysis and elsewhere in this Form 10-Q in conjunction with the financial and other information contained in our 2010 Form 10-K. Certain previously reported amounts have been reclassified to conform to current period classifications as presented in this Form 10-Q.

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and we apply accounting policies that affect the determination of amounts reported in those financial statements. The majority of the accounting policies applied by us do not involve difficult, subjective or complex judgments or estimates in their application, or the variability of the estimates is not material to our consolidated financial statements. However, certain of these 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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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of the 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 relatively more significant accounting policies applied by State Street have been identified by management as those associated with fair value measurements; interest revenue recognition and other-than-temporary impairment; and goodwill and other intangible assets. 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.

Additional information about these accounting policies is included in the Significant Accounting Estimates section of Management's Discussion and Analysis in our 2010 Form 10-K. We did not change these accounting policies during the first quarter of 2011.

Certain financial information provided in this Management's Discussion and Analysis has been prepared on both a GAAP basis and a non-GAAP, or operating, basis. Management measures and compares certain financial information on an operating basis, as it believes this presentation supports meaningful comparisons from period to period and the analysis of comparable financial trends with respect to State Street's normal ongoing business operations. Management believes that operating-basis financial information, which reports revenue from non-taxable sources on a fully taxable-equivalent basis and excludes the effect of revenue and expenses outside of the normal course of our business, facilitates an investor's understanding and analysis of State Street's underlying financial performance and trends. Operating-basis financial information should be considered in addition to, not as a substitute for or superior to, financial information prepared in accordance with GAAP.

**FORWARD-LOOKING STATEMENTS**

This Form 10-Q, including this Management's Discussion and Analysis, as well as other reports filed by us under the Securities Exchange Act of 1934 or registration statements filed by us under the Securities Act of 1933, contain statements that are considered forward-looking statements within the meaning of U.S. securities laws, including statements about industry trends, management's expectations about our financial performance, market growth, acquisitions and divestitures, new technologies, services and opportunities and earnings, management's confidence in our strategies and other matters that do not relate strictly to historical facts. Forward-looking statements are often identified by such forward-looking terminology as expect, look, believe, anticipate, estimate, forecast, seek, may, will, trend, target and goal, or variations of 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 national and global economies, 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 include, but are not limited to:

the manner in which the Federal Reserve and other regulators implement the Dodd-Frank Act and other regulatory initiatives in the U.S. and internationally, including any increases in the minimum regulatory

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

**AND RESULTS OF OPERATIONS (Continued)**

capital ratios applicable to us and regulatory developments that result in changes to our operating model, or other changes to the provision of our services in order to comply with or respond to such regulations;

required regulatory capital ratios under Basel II and Basel III, in each case as fully implemented by State Street and State Street Bank (and in the case of Basel III, when finally adopted by the Federal Reserve), which may result in the need for substantial additional capital or increased levels of liquidity in the future;

changes in law or regulation that may adversely affect our, our clients' or our counterparties' business activities and the products or services that we sell, including additional or increased taxes or assessments thereon, capital adequacy requirements and changes that expose us to risks related to compliance;

financial market disruptions and the economic recession, whether in the U.S. or internationally;

the liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities, and the liquidity requirements of our clients;

increases in the volatility of, or declines in the levels of, our net interest revenue, changes in the composition of the assets carried in our consolidated statement of condition and the possibility that we may be required to change the manner in which we fund those assets;

the financial strength and continuing viability of the counterparties with which we or our clients do business and to which we have investment, credit or financial exposure;

the credit quality, credit agency ratings, and fair values of the securities in our investment securities portfolio, a deterioration or downgrade of which could lead to other-than-temporary impairment of the respective securities and the recognition of an impairment loss in our consolidated statement of income;

delays or difficulties in the execution of our previously announced global multi-year program designed to enhance our operating model, which could lead to changes in our estimates of the charges, expenses or savings associated with the planned program, resulting in increased volatility of our earnings;

the maintenance of credit agency ratings for our debt and depository obligations as well as the level of credibility of credit agency ratings;

the risks that acquired businesses will not be integrated successfully, or that the integration will take longer than anticipated, that expected synergies will not be achieved or unexpected dysynergies will be experienced, that client and deposit retention goals will not be met, that other regulatory or operational challenges will be experienced and that disruptions from the transaction will harm

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relationships with clients, employees or regulators;

the ability to complete acquisitions, divestitures and joint ventures, including the ability to obtain regulatory approvals, the ability to arrange financing as required and the ability to satisfy closing conditions;

the performance of and demand for the products and services we offer, including the level and timing of redemptions and withdrawals from our collateral pools and other collective investment products;

the possibility that our clients will incur substantial losses in investment pools where we act as agent, and the possibility of significant reductions in the valuation of assets;

our ability to attract deposits and other low-cost, short-term funding;

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

**AND RESULTS OF OPERATIONS (Continued)**

potential changes to the competitive environment, including changes due to the effects of consolidation, and perceptions of State Street as a suitable service provider or counterparty;

the level and volatility of interest rates and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally;

our ability to measure the fair value of the investment securities carried in our consolidated statement of condition;

the results of litigation, government investigations and similar disputes or proceedings;

our ability to control operating risks, information technology systems risks and outsourcing risks, and our ability to protect our intellectual property rights, the possibility of errors in the quantitative models we use to manage our business and the possibility that our controls will prove insufficient, fail or be circumvented;

adverse publicity or other reputational harm;

our ability to grow revenue, attract and/or retain and compensate highly skilled people, control expenses and attract the capital necessary to achieve our business goals and comply with regulatory requirements;

the potential for new products and services to impose additional costs on us and expose us to increased operational risk;

changes in accounting standards and practices; and

changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities that affect the amount of taxes due.

Therefore, 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-Q or disclosed in our other SEC filings, including the risk factors discussed in our 2010 Form 10-K. Forward-looking statements should not be relied upon as representing our expectations or beliefs as of any date subsequent to the time this Form 10-Q is filed with the SEC. We undertake no obligation to revise the forward-looking statements contained in this Form 10-Q to reflect events after the time it is filed with the SEC. The factors discussed above are not intended to be a complete summary of all risks and uncertainties that may affect our businesses. We cannot anticipate all political, operational, market, financial and other developments that may adversely affect our consolidated results of operations and financial condition.

Forward-looking statements should not be viewed as predictions, and should not be the primary basis upon 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 reports on Forms 10-K, 10-Q and 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 our website at [www.statestreet.com](http://www.statestreet.com).





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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (Continued)**

**OVERVIEW OF FINANCIAL RESULTS**

(Dollars in millions, except per share amounts)	2011	Quarters Ended March 31, 2010 <sup>(1)</sup>	% Change
Total fee revenue	\$ 1,791	\$ 1,540	16%
Net interest revenue	577	661	(13)
Gains (Losses) related to investment securities, net	(7)	95	
 Total revenue	 2,361	 2,296	 3
Provision for loan losses	(1)	15	
Expenses:			
Expenses from operations	1,683	1,566	7
Acquisition and restructuring costs	19	13	
Total expenses	1,702	1,579	8
Income before income tax expense	660	702	(6)
Income tax expense	189	207	
 Net income	 \$ 471	 \$ 495	
Adjustments for participating securities <sup>(2)</sup>	(5)	(3)	
 Net income available to common shareholders	 \$ 466	 \$ 492	
Earnings per common share:			
Basic	\$ .94	\$ .99	
Diluted	.93	.99	
Average common shares outstanding (in thousands):			
Basic	497,471	494,588	
Diluted	500,980	498,056	
Cash dividends declared	\$ .18	\$ .01	
Return on average common equity	10.5%	13.4%	

<sup>(1)</sup> Financial results for the quarter ended March 31, 2010 do not include those of the acquired Intesa Sanpaolo securities services business and Migrant International Finance Administration, or MIFA, which acquisitions were completed in the second quarter of 2010.

<sup>(2)</sup> Adjustments represented the allocation of earnings to participating securities. See note 15 to the consolidated financial statements included in this Form 10-Q.

**Highlights**

This section provides highlights with respect to our consolidated financial results for the first quarter of 2011 presented in the preceding table, as well as other information related to the quarter. Additional information about our financial results is provided under Consolidated Results of Operations, which follows this section.

**Significant Developments**

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On January 10, 2011, we completed our acquisition of Bank of Ireland's asset management business, or BIAM. Our acquisition of BIAM provided SSgA with new Ireland-based clients and employees. In addition, we added \$23 billion of assets under management as of March 31, 2011, which provided us with additional

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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capabilities with respect to global fundamental equities, fixed-income, cash, asset allocation, property and balanced mandates. Additional information about this acquisition is provided in note 2 to the consolidated financial statements included in this Form 10-Q.

In February 2011, we issued approximately \$500 million of 4.956% junior subordinated debentures due 2018, in connection with a remarketing of the 6.001% junior subordinated debentures due 2042 originally issued to State Street Capital Trust III in 2008. The 6.001% junior subordinated debentures were issued in connection with our concurrent offering of the trust's 8.25% fixed-to-floating rate normal automatic preferred enhanced capital securities, referred to as normal APEX. The 4.956% debentures qualify for inclusion in tier 2 regulatory capital under current federal regulatory capital guidelines. The original 6.001% junior subordinated debentures, which qualified for inclusion in tier 1 regulatory capital as trust preferred securities, were redeemed as a result of the remarketing transaction.

In March 2011, we issued \$500 million of our non-cumulative perpetual preferred stock, series A, \$100,000 liquidation preference per share, in connection with the above-referenced remarketing transaction. The preferred stock was purchased by State Street Capital Trust III using the ultimate proceeds from the remarketing transaction, and now constitutes the principal asset of the trust. The preferred stock qualifies for inclusion in tier 1 regulatory capital under federal regulatory capital guidelines.

In March 2011, we issued an aggregate of \$2 billion of senior notes, composed of \$1 billion of 2.875% notes due 2016, \$750 million of 4.375% notes due 2021 and \$250 million of floating-rate notes due 2014.

Additional information about certain of these debt and equity issuances is provided under "Financial Condition - Capital" in this Management's Discussion and Analysis and in notes 7 and 10 to the consolidated financial statements included in this Form 10-Q.

In March 2011, our Board of Directors declared a quarterly common stock dividend of \$0.18 per share, payable in April 2011. In addition, in March 2011, the Board approved a new program authorizing the purchase by us of up to \$675 million of our common stock in 2011. This new program supersedes the Board's prior authorization, under which 13.25 million common shares were available for purchase as of December 31, 2010. Additional information about the dividend and common stock purchase program is provided under "Financial Condition - Capital" in this Management's Discussion and Analysis.

***Financial Results***

Total revenue for the first quarter of 2011 increased 3% compared to the same period in 2010; total fee revenue increased 16% and net interest revenue decreased 13% in the same comparison.

Servicing and management fees for the first quarter of 2011 were up 22% and 12%, respectively, compared to the first quarter of 2010. Servicing fee revenue increased mainly due to the addition of revenue from the acquired Intesa and MIFA businesses, which acquisitions were completed during the second quarter of 2010, the impact of new business and improvements in equity market valuations. Management fee revenue increased primarily due to improvements in equity market valuations as well as the addition of revenue from the acquired BIAM business. Trading services revenue increased 25% comparing the first quarter of 2011 with the first quarter of 2010, primarily as a result of higher levels of client volumes in foreign exchange, partly offset by lower volatility, as well as higher electronic trading revenues and strength in transition management, both of which are recorded in brokerage and other fees. In the same comparison, securities finance revenue declined 8% as average lending volumes declined, offset slightly by higher spreads. Processing fees and other revenue decreased 23%, primarily due to net revenue recorded in the first quarter of 2010 related to certain tax-advantaged investments, partly offset by higher levels of revenue in the first quarter of 2011 from our structured products business.

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AND RESULTS OF OPERATIONS (Continued)**

For the first quarter of 2011, we recorded net interest revenue of \$577 million, which included \$62 million of discount accretion related to investment securities added to our consolidated statement of condition in connection with the May 2009 asset-backed commercial paper conduit consolidation. Net interest revenue decreased 13% and 12% compared to the prior-year first quarter, on a GAAP and on a fully taxable-equivalent basis, respectively (the latter \$608 million compared to \$693 million, reflecting increases from tax-equivalent adjustments of \$31 million and \$32 million, respectively). These decreases were primarily the result of the impact of lower conduit related accretion due to paydowns and sales during the past year (discount accretion of \$62 million for the first quarter of 2011 compared to \$212 million for the same period in 2010). The decreases were offset in part by net interest revenue generated from the investment of the deposits added in May 2010 in connection with the Intesa acquisition, as well as favorable short-term funding costs related to higher client deposit volumes.

Net interest margin, computed on fully taxable-equivalent net interest revenue, decreased 49 basis points from 2.34% in the first quarter of 2010 to 1.85% in the first quarter of 2011. The above-mentioned \$62 million of discount accretion accounted for 19 basis points of net interest margin for the first quarter of 2011, compared to 72 basis points for the first quarter of 2010. Excluding the effect of discount accretion, fully taxable-equivalent net interest revenue for the first quarter of 2011 would have been \$546 million (\$608 million less \$62 million), an increase of 14% from \$481 million (\$693 million less \$212 million) for the first quarter of 2010. Net interest margin for the first quarter of 2011 would have been 1.66% compared to 1.62% for the first quarter of 2010.

We recorded net realized gains of \$4 million from sales of available-for-sale securities during the first quarter of 2011, compared to net realized gains of \$192 million during the first quarter of 2010. Separately, we recorded net other-than-temporary impairment of \$11 million during the first quarter of 2011, compared to \$97 million during the first quarter of 2010, largely related to non-agency mortgage-backed securities. The aggregate net realized gains and net impairment losses resulted in net losses related to investment securities of \$7 million for the first quarter of 2011, compared to net gains of \$95 million for the same period in 2010.

Total expenses increased 8% for the first quarter of 2011 compared to the first quarter of 2010, mainly as a result of increases in salaries and benefits expense associated with the addition of employees and associated expenses of the acquired Intesa, MIFA and BIAM businesses and higher benefits expenses.

We recorded income tax expense of \$189 million for the first quarter of 2011, compared to \$207 million for the first quarter of 2010. Our effective tax rate for the first quarter of 2011 was 28.7% compared to 29.5% for the first quarter of 2010, with the decrease primarily the result of the geographic mix of earnings.

During the first quarter of 2011, we won mandates for approximately \$300 billion in assets to be serviced; of the total, approximately \$115 billion was installed prior to March 31, 2011, with approximately \$185 billion expected to be installed in subsequent periods. In addition, of the \$390 billion of new asset servicing business from 2010 that had not been installed as of December 31, 2010, approximately \$115 billion was installed during the first quarter of 2011. In the aggregate, we expect the remaining \$460 billion of new asset servicing business to be installed in the remaining three quarters of 2011. The new asset servicing business not installed by March 31, 2011 was not included in our assets under custody and administration at that date, and had no impact on our servicing fee revenue for the first quarter of 2011, as the assets are not included until their installation is complete and we begin to service them. Once installed, the assets generate servicing fee revenue.

With respect to the new asset servicing business referenced above, we will provide various services for these assets, including accounting, fund administration, custody, foreign exchange, securities finance, transfer agency,

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performance analytics, compliance reporting and monitoring, hedge fund servicing, private equity administration, real estate administration, depository banking services, wealth management services and investment manager operations outsourcing.

During the first quarter of 2011, we had net new business installed of approximately \$29 billion in assets to be managed; in addition, we added approximately \$23 billion of managed assets in connection with our acquisition of BIAM. During the first quarter, we won new mandates for approximately \$170 billion of business in assets to be managed, \$17 billion of which we expect to install in the remaining three quarters of 2011. These new mandates are composed of a variety of investment strategies, mainly passive equities.

**CONSOLIDATED RESULTS OF OPERATIONS**

This section discusses our consolidated results of operations for the first quarter of 2011 compared to the same period in 2010, and should be read in conjunction with the consolidated financial statements and accompanying condensed notes included in this Form 10-Q.

**TOTAL REVENUE**

Information with respect to the sources of our revenue, the products and activities that generate it, and the factors that influence the levels of revenue generated during any period is provided under "Consolidated Results of Operations - Total Revenue" in Management's Discussion and Analysis included in our 2010 Form 10-K.

(Dollars in millions)	Quarters Ended March 31,		
	2011	2010	% Change
Fee revenue:			
Servicing fees	\$ 1,095	\$ 895	22%
Management fees	236	211	12
Trading services	302	242	25
Securities finance	66	72	(8)
Processing fees and other	92	120	(23)
Total fee revenue	1,791	1,540	16
Net interest revenue:			
Interest revenue	734	878	(16)
Interest expense	157	217	(28)
Net interest revenue	577	661	(13)
Gains (Losses) related to investment securities, net	(7)	95	
Total revenue	\$ 2,361	\$ 2,296	3

**Fee Revenue**

Servicing and management fees collectively comprised approximately 74% and 72% of our total fee revenue for the first quarters of 2011 and 2010, respectively. These fees are influenced by, among other factors, the mix and volume of assets under custody and administration and assets under management, securities positions held and the volume of portfolio transactions, and the types of products and services used by our clients, and are generally affected by changes in worldwide equity and fixed-income valuations.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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Generally, servicing fees are affected, in part, by changes in daily average valuations of assets under custody and administration, while management fees are affected by changes in month-end valuations of assets under management. Additional factors, such as the level of transaction volumes, changes in service level, balance credits, client minimum balances, pricing concessions and other factors, may have a significant effect on servicing fee revenue.

Generally, management fee revenue is more sensitive to market valuations than servicing fee revenue. Management fees for enhanced index and actively managed products are generally earned at higher rates than those for passive products. Enhanced index and actively managed products may also involve performance fee arrangements.

In light of the above, we estimate, assuming all other factors remain constant, that a 10% increase or decrease in worldwide equity values would result in a corresponding change in our total revenue of approximately 2%. If fixed-income security values were to increase or decrease by 10%, we would anticipate a corresponding change of approximately 1% in our total revenue.

The following table presents selected equity market indices. Daily averages and the averages of month-end indices demonstrate worldwide changes in equity market valuations that affect servicing fee and management fee revenue, respectively. Quarter-end indices affect the value of assets under custody and administration and assets under management at those dates. The index names listed in the table are service marks of their respective owners.

**INDEX**

Daily Averages of Indices			Averages of Month-End Indices			Quarter-End Indices	
Quarters Ended			Quarters Ended			As of	
March 31,			March 31,			March 31,	
2011	2010	% Change	2011	2010	% Change	2011	2010