ZACHARY BENJAMIN I
Form 4
March 21, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
ZACHARY BENJAMIN I

(Last) (First) (Middle)

518 WEST C STREET

(Street)

NEWTON, NC 28658

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PEOPLES BANCORP OF NORTH CAROLINA INC [PEBK]

3. Date of Earliest Transaction (Month/Day/Year)
03/17/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/17/2006		J (1)		28.724	A	$ 24.8931	6,529.0127	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ZACHARY BENJAMIN I 518 WEST C STREET NEWTON, NC 28658	X			

Signatures

Benjamin I. Zachary	03/21/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Dividend Reinvestment Plan

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Three Months Ended September 30,

2018

2017

(In millions)
Amounts Reclassified into
(out of) Earnings

Affected Line Item in Consolidated Statement of Income
Available-for-sale securities:

Net realized gains from sales of available-for-sale securities, net of related taxes of zero and ($1), respectively
$
—

$
4

Net gains (losses) from sales of available-for-sale securities
Held-to-maturity securities:

Other-than-temporary impairment on held-to-maturity securities related to factors other than credit
(1
)

—

Losses reclassified (from) to other comprehensive income
Retirement plans:

Amortization of actuarial losses, net of related taxes of ($1) and zero, respectively
1

2

Compensation and employee benefits expenses
Total reclassifications into AOCI
$
—

$
6

Nine Months Ended September 30,

2018

2017

(In millions)
Amounts Reclassified into
(out of) Earnings

Affected Line Item in Consolidated Statement of Income
Available-for-sale securities:

Net realized gains (losses) from sales of available-for-sale securities, net of related taxes of ($2) and $15, respectively
$
6

$
(23
)

Net gains (losses) from sales of available-for-sale securities
Held-to-maturity securities:

Other-than-temporary impairment on held-to-maturity securities related to factors other than credit, net of related taxes of $1 and zero, respectively
(3

)

—

Losses reclassified (from) to other comprehensive income
Retirement plans:

Amortization of actuarial losses, net of related taxes of ($5) and ($2), respectively
14

10

Compensation and employee benefits expenses
Total reclassifications into (out of) AOCI
$
17

$
(13
)

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Explanation of Responses:

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Note 13. 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. For additional information on regulatory capital, and the requirements to which we are subject, refer to pages 171 to 172 in Note 16 to the consolidated financial statements included under Item 8, Financial Statements and Supplementary Data, in our 2017 Form 10-K.

As required by the Dodd-Frank Act, we and State Street Bank, as advanced approaches banking organizations, are subject to a permanent "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.

The methods for the calculation of our and State Street Bank's risk-based capital ratios will change as the provisions of the Basel III final rule related to the numerator (capital) and denominator (RWAs) are phased in, and as we begin calculating our RWAs using the advanced approaches. These ongoing methodological changes will result in differences in our reported capital ratios from one reporting period to the next that are independent of applicable changes to our capital base, our asset composition, our off-balance sheet exposures or our risk profile.

As of September 30, 2018, we and State Street Bank exceeded all regulatory capital adequacy requirements to which we were subject. As of September 30, 2018, 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 September 30, 2018 that have changed the capital categorization of State Street Bank.

The following table presents the regulatory capital structure, total RWAs, related regulatory capital ratios and the minimum required regulatory capital ratios for us and State Street Bank as of the dates indicated. As a result of changes in the methodologies used to calculate our regulatory capital ratios from period to period as the provisions of the Basel III final rule are phased in, the ratios presented in the table for each period-end are not directly comparable. Refer to the footnotes following the table.

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(In millions)	State Street Basel III Advanced Approaches September 30, 2018[1]	Basel III Standardized Approach September 30, 2018[2]	Basel III Advanced Approaches December 31, 2017[1]	Basel III Standardized Approach December 31, 2017[2]	State Street Bank Basel III Advanced Approaches September 30, 2018[1]	Basel III Standardized Approach September 30, 2018[2]	Basel III Advanced Approaches December 31, 2017[1]	Basel III Standardized Approach December 31, 2017[2]
Common shareholders' equity:								
Common stock and related surplus	$10,922	$10,922	$10,302	$10,302	$13,262	$13,262	$11,612	$11,612
Retained earnings	20,387	20,387	18,856	18,856	13,969	13,969	12,312	12,312
Accumulated other comprehensive income (loss)	(1,661)	(1,661)	(972)	(972)	(1,450)	(1,450)	(809)	(809)
Treasury stock, at cost	(8,735)	(8,735)	(9,029)	(9,029)	—	—	—	—
Total	20,913	20,913	19,157	19,157	25,781	25,781	23,115	23,115
Regulatory capital adjustments:								
Goodwill and other intangible assets, net of associated deferred tax liabilities[3]	(7,016)	(7,016)	(6,877)	(6,877)	(6,721)	(6,721)	(6,579)	(6,579)
Other adjustments[4]	(194)	(194)	(76)	(76)	(48)	(48)	(5)	(5)
Common equity tier 1 capital	13,703	13,703	12,204	12,204	19,012	19,012	16,531	16,531
Preferred stock	3,690	3,690	3,196	3,196	—	—	—	—
Trust preferred capital securities subject to phase-out from tier 1 capital	—	—	—	—	—	—	—	—
Other adjustments	—	—	(18)	(18)	—	—	—	—
Tier 1 capital	17,393	17,393	15,382	15,382	19,012	19,012	16,531	16,531
Qualifying subordinated long-term debt	761	761	980	980	759	759	983	983
Trust preferred capital securities phased out of tier 1 capital	—	—	—	—	—	—	—	—
ALLL and other	5	74	4	72	—	75	—	72
Other adjustments	—	—	1	1	—	—	—	—
Total capital	$18,159	$18,228	$16,367	$16,435	$19,771	$19,846	$17,514	$17,586

RWAs:										
Credit risk[5]			$50,272	$104,515	$52,000	$101,349	$47,732	$101,444	$49,489	$98,433
Operational risk[6]			45,840	NA	45,822	NA	45,315	NA	45,295	NA
Market risk			1,255	1,255	1,334	1,334	1,255	1,255	1,334	1,334
Total RWAs			$97,367	$105,770	$99,156	$102,683	$94,302	$102,699	$96,118	$99,767
Adjusted quarterly average assets			$214,103	$214,103	$209,328	$209,328	$211,477	$211,477	$206,070	$206,070
Capital Ratios:	2018 Minimum Requirements Including Capital Conservation Buffer and G-SIB Surcharge[7]	2017 Minimum Requirements Including Capital Conservation Buffer and G-SIB Surcharge[8]								
Common equity tier 1 capital	7.5 %	6.5 %	14.1 %	13.0 %	12.3 %	11.9 %	20.2 %	18.5 %	17.2 %	16.6 %
Tier 1 capital	9.0	8.0	17.9	16.4	15.5	15.0	20.2	18.5	17.2	16.6
Total capital	11.0	10.0	18.7	17.2	16.5	16.0	21.0	19.3	18.2	17.6
Tier 1 leverage	4.0	4.0	8.1	8.1	7.3	7.3	9.0	9.0	8.0	8.0

(1) CET1 capital, tier 1 capital and total capital ratios as of September 30, 2018 and December 31, 2017 were calculated in conformity with the advanced approaches provisions of the Basel III final rule. Tier 1 leverage ratio as of September 30, 2018 and December 31, 2017 were calculated in conformity with the Basel III final rule.
(2) CET1 capital, tier 1 capital and total capital ratios as of September 30, 2018 and December 31, 2017 were calculated in conformity with the standardized approach provisions of the Basel III final rule. Tier 1 leverage ratio as of September 30, 2018 and December 31, 2017 were calculated in conformity with the Basel III final rule.
(3) Amounts for State Street and State Street Bank as of September 30, 2018 consisted of goodwill, net of associated deferred tax liabilities, and 100% of other intangible assets, net of associated deferred tax liabilities. Amounts for State Street and State Street Bank as of December 31, 2017 consisted of goodwill, net of deferred tax liabilities and 80% of other intangible assets, net of associated deferred tax liabilities. Intangible assets, net of associated deferred tax liabilities is phased in as a deduction from capital, in conformity with the Basel III final rule.
(4) Other adjustments within CET1 primarily include the overfunded portion of the firm’s defined benefit pension plan obligation net of associated deferred tax liabilities, disallowed deferred tax assets, and other required credit risk based deductions.
(5) Includes a CVA which reflects the risk of potential fair value adjustments for credit risk reflected in our valuation of over-the-counter derivative contracts. We used a simple CVA approach in conformity with the Basel III advanced approaches.
(6) 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.

(7) Minimum requirements will be phased in up to full implementation beginning on January 1, 2019; minimum requirements listed are as of September 30, 2018.

(8) Minimum requirements will be phased in up to full implementation beginning on January 1, 2019; minimum requirements listed are as of December 31, 2017.

NA Not applicable

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Note 14. Net Interest Income

The following table presents the components of interest income and interest expense, and related NII, for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Interest income:				
Deposits with banks	$94	$45	$267	$121
Investment securities:				
U.S. Treasury and federal agencies	300	207	835	627
State and political subdivisions	29	56	125	171
Other investments	136	173	434	495
Securities purchased under resale agreements	87	74	246	189
Loans and leases	173	139	498	362
Other interest-earning assets	97	67	275	146
Total interest income	916	761	2,680	2,111
Interest expense:				
Deposits	84	39	236	96
Securities sold under repurchase agreements	4	1	11	2
Other short-term borrowings	4	3	12	7
Long-term debt	100	78	293	227
Other interest-bearing liabilities	52	37	154	91
Total interest expense	244	158	706	423
Net interest income	$672	$603	$1,974	$1,688

Note 15. Expenses

The following table presents the components of other expenses for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Insurance	$15	$27	$79	$84
Regulatory fees and assessments	15	24	71	77
Sales advertising public relations	29	14	84	42
Bank operations	14	19	53	53
Litigation	—	3	7	(15)
Other	99	57	285	186
Total other expenses	$172	$144	$579	$427

Restructuring Charges

In both the three and nine months ended September 30, 2018, we recorded minimal changes related to Beacon, compared to $33 million and $112 million of restructuring charges in the same periods of 2017, respectively.

The following table presents aggregate restructuring activity for the periods indicated:

(In millions)	Employee Related Costs	Real Estate Actions	Asset and Other Write-offs	Total
Accrual Balance at December 31, 2016	$ 37	$ 17	$ 2	$56
Accruals for Beacon	14	—	2	16
Payments and Other Adjustments	(13)	(3)	(2)	(18)
Accrual Balance at March 31, 2017	38	14	2	54
Accruals for Beacon	60	—	2	62
Payments and Other Adjustments	(11)	(3)	(2)	(16)
Accrual Balance at June 30, 2017	87	11	2	100
Accruals for Beacon	23	9	1	33
Payments and Other Adjustments	(10)	(5)	(1)	(16)
Accrual Balance at September 30, 2017	$ 100	$ 15	$ 2	$117
Accrual Balance at December 31, 2017	$ 166	$ 32	$ 3	$201
Accruals for Beacon	—	—	—	—
Payments and Other Adjustments	(22)	(4)	—	(26)
Accrual Balance at March 31, 2018	144	28	3	175
Accruals for Beacon	—	—	—	—
Payments and Other Adjustments	(31)	(3)	—	(34)
Accrual Balance at June 30, 2018	113	25	3	141
Accruals for Beacon	(1)	—	—	(1)
Payments and Other Adjustments	(18)	(4)	(1)	(23)
Accrual Balance at September 30, 2018	$ 94	$ 21	$ 2	$117

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Note 16. 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:

	Three Months Ended September 30,	
(Dollars in millions, except per share amounts)	2018	2017
Net income	$765	$685
Less:		
Preferred stock dividends	(55)	(55)
Dividends and undistributed earnings allocated to participating securities[1]	(1)	(1)
Net income available to common shareholders	$709	$629
Average common shares outstanding (In thousands):		
Basic average common shares	374,963	372,765
Effect of dilutive securities: equity-based awards	4,420	5,753
Diluted average common shares	379,383	378,518
Anti-dilutive securities[2]	1,360	—
Earnings per common share:		
Basic	$1.89	$1.69
Diluted[3]	1.87	1.66

	Nine Months Ended September 30,	
(Dollars in millions, except per share amounts)	2018	2017
Net income	$2,160	$1,807
Less:		
Preferred stock dividends	(146)	(146)
Dividends and undistributed earnings allocated to participating securities[1]	(2)	(2)
Net income available to common shareholders	$2,012	$1,659
Average common shares outstanding (In thousands):		
Basic average common shares	369,368	376,430
Effect of dilutive securities: equity-based awards	4,696	5,349

Diluted average common shares	374,064	381,779
Anti-dilutive securities[2]	871	250
Earnings per common share:		
Basic	$5.45	$4.41
Diluted[3]	5.38	4.35

[1] Represents the portion of net income available to common equity allocated to participating securities, 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.
[2] Represents equity-based awards outstanding but not included in the computation of diluted average common shares, because their effect was anti-dilutive. For additional information about equity-based awards, refer to pages 173 to 175 in Note 18 to the consolidated financial statements included under Item 8, Financial Statements and Supplementary Data, in our 2017 Form 10-K.
[3] Calculations reflect allocation of earnings to participating securities using the two-class method, as this computation is more dilutive than the treasury stock method.

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Note 17. 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 information about our two lines of business, as well as revenues, expenses and capital allocation methodologies associated with them, refer to pages 179 to 181 in Note 24 to the consolidated financial statements included under Item 8, Financial Statements and Supplementary Data, in our 2017 Form 10-K.
The following is a summary of our line-of-business results for the periods indicated. The "Other" columns represent costs incurred that are not allocated to a specific line of business, including certain severance and restructuring costs, acquisition costs and certain provisions for legal contingencies.

	Three Months Ended September 30,							
	Investment Servicing		Investment Management		Other		Total	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Servicing fees	$1,333	$1,351	$—	$—	$—	$—	$1,333	$1,351
Management fees	—	—	474	419	—	—	474	419
Trading services	255	239	33	20	—	—	288	259
Securities finance	128	147	—	—	—	—	128	147
Processing fees and other	49	65	8	1	—	—	57	66
Total fee revenue	1,765	1,802	515	440	—	—	2,280	2,242
Net interest income	680	606	(8)	(3)	—	—	672	603
Gains (losses) related to investment securities, net	(1)	1	—	—	—	—	(1)	1
Total revenue	2,444	2,409	507	437	—	—	2,951	2,846
Provision for loan losses	5	3	—	—	—	—	5	3
Total expenses	1,693	1,673	386	314	—	34	2,079	2,021
Income before income tax expense	$746	$733	$121	$123	$—	$(34)	$867	$822
Pre-tax margin	31 %	30 %	24 %	28 %			29 %	29 %

	Nine Months Ended September 30,							
	Investment Servicing		Investment Management		Other		Total	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Servicing fees	$4,135	$3,986	$—	$—	$—	$—	$4,135	$3,986
Management fees	—	—	1,411	1,198	—	—	1,411	1,198
Trading services	810	768	97	55	—	—	907	823
Securities finance	423	459	—	—	—	—	423	459
Processing fees and other	131	203	9	6	—	—	140	209
Total fee revenue	5,499	5,416	1,517	1,259	—	—	7,016	6,675
Net interest income	1,991	1,691	(17)	(3)	—	—	1,974	1,688
Gains (losses) related to investment securities, net	6	(39)	—	—	—	—	6	(39)
Total revenue	7,496	7,068	1,500	1,256	—	—	8,996	8,324
Provision for loan losses	7	4	—	—	—	—	7	4
Total expenses	5,244	5,050	1,173	954	77	134	6,494	6,138
Income before income tax expense	$2,245	$2,014	$327	$302	$(77)	$(134)	$2,495	$2,182

Pre-tax margin	30 %	28 %	22 %	24 %	28 %	26 %

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Note 18. Revenue from Contracts with Customers

We account for revenue from contracts with customers in accordance with Topic 606, which we adopted on January 1, 2018. See Note 1 for further discussion of our adoption, including the impact on our consolidated financial statements.
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 is deemed to be a principal in such arrangements.
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. 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 SSGA-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.

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(UNAUDITED)

Investment Management

Revenue from contracts with customers related to investment management, investment research and investment advisory services provided through SSGA 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 SSGA controls those services and is deemed to be a principal in such transactions.

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.

	Three Months Ended September 30, 2018						
	Investment Servicing			Investment Management			Total
(Dollars in millions)	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	2018
Servicing fees	$1,333	$—	$1,333	$—	$ —	$—	$1,333
Management fees	—	—	—	474	—	474	474
Trading services	89	166	255	33	—	33	288
Securities finance	73	55	128	—	—	—	128
Processing fees and other	27	22	49	—	8	8	57
Total fee revenue	1,522	243	1,765	507	8	515	2,280
Net interest income	—	680	680	—	(8)	(8)	672
Gains (losses) related to investment securities, net	—	(1)	(1)	—	—	—	(1)
Total revenue	$1,522	$922	$2,444	$507	$ —	$507	$2,951

	Nine Months Ended September 30, 2018						
	Investment Servicing			Investment Management			Total
(Dollars in millions)	Topic 606 revenue	All other revenue	Total	Topic 606 revenue	All other revenue	Total	2018
Servicing fees	$4,135	$—	$4,135	$—	$ —	$—	$4,135
Management fees	—	—	—	1,411	—	1,411	1,411
Trading services	275	535	810	97	—	97	907
Securities finance	240	183	423	—	—	—	423
Processing fees and other	69	62	131	—	9	9	140
Total fee revenue	4,719	780	5,499	1,508	9	1,517	7,016
Net interest income	—	1,991	1,991	—	(17)	(17)	1,974
Gains (losses) related to investment securities, net	—	6	6	—	—	—	6
Total revenue	$4,719	$2,777	$7,496	$1,508	$ (8)	$1,500	$8,996

Contract balances and contract costs

As of September 30, 2018 and December 31, 2017, net receivables of $2.7 billion and 2.6 billion, respectively, are included in accrued interest and fees receivable, representing amounts billed or currently billable to or due from our customers 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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STATE STREET CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 19. 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:

	Three Months Ended September 30,					
	2018			2017		
(In millions)	Non-U.S.	U.S.	Total	Non-U.S.	U.S.	Total
Total revenue	$1,286	$1,665	$2,951	$1,219	$1,627	$2,846
Income before income taxes	497	370	867	342	480	822

	Nine Months Ended September 30,					
	2018			2017		
(In millions)	Non-U.S.	U.S.	Total	Non-U.S.	U.S.	Total
Total revenue	$3,929	$5,067	$8,996	$3,494	$4,830	$8,324
Income before income taxes	1,343	1,152	2,495	919	1,263	2,182

Non-U.S. assets were $83.1 billion and $81.5 billion as of September 30, 2018 and 2017, respectively.

Note 20. Subsequent Events

On October 1, 2018, we completed our previously announced acquisition of Charles River Development, a provider of investment management front office tools and solutions, for an all cash purchase price of approximately $2.6 billion. We funded the acquisition with a July 2018 issuance of common stock of approximately $1.15 billion, a September 2018 issuance of preferred stock of approximately $500 million and the suspension of approximately $950 million of share repurchases, which includes approximately $350 million and approximately $300 million in the second and third quarters of 2018, respectively, and a planned suspension of approximately $300 million in the fourth quarter of 2018.

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of
State Street Corporation
Results of Review of Interim Financial Statements
We have reviewed the accompanying consolidated statement of condition of State Street Corporation (the "Corporation") as of September 30, 2018, and the related consolidated statements of income and comprehensive income for the three- and nine-month periods ended September 30, 2018 and 2017, and changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2018 and 2017, and the related condensed notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.
We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statement of condition of the Corporation as of December 31, 2017, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 26, 2018, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of condition as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated statement of condition from which it has been derived.
Basis for Review Results
These financial statements are the responsibility of the Corporation's management. 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 SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP
Boston, Massachusetts
October 31, 2018

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ACRONYMS

2017 Form 10-K	State Street Corporation Annual Report on Form 10-K for the year ended December 31, 2017	MRAC	Management Risk and Capital Committee
ABS	Asset-backed securities	NII	Net interest income
AFS	Available-for-sale	NIM	Net interest margin
AIFMD	Alternative Investment Fund Managers Directive	NSFR(1)	Net stable funding ratio
AIRB(1)	Advanced Internal Ratings-Based Approach	OCI	Other comprehensive income (loss)
ALLL	Allowance for loan and lease losses	OCIO	Outsourced Chief Investment Officer
AMA	Advanced Measurement Approach	OFAC	Office of Foreign Assets Control
AML	Anti-money laundering	OTC	Over-the-counter
AOCI	Accumulated other comprehensive income (loss)	OTTI	Other-than-temporary-impairment
ASU	Accounting Standards Update	Parent Company	State Street Corporation
AUCA	Assets under custody and/or administration	PCA	Prompt corrective action
AUM	Assets under management	PCAOB	Public Company Accounting Oversight Board
BCBS	Basel Committee on Banking Supervision	P&L	Profit-and-loss
Board	Board of Directors	RC	Risk Committee
bps	Basis points	ROE	Return on average common equity
CCAR	Comprehensive Capital Analysis and Review	RWA(1)	Risk-weighted asset
CD	Certificates of deposit	SCB	Stress Capital Buffer
CET1(1)	Common equity tier 1	SEC	Securities and Exchange Commission
CLO	Collateralized loan obligations	SERP	Supplemental executive retirement plans
CMO	Collateralized mortgage obligations	SLB	Stress Leverage Buffer
CRE	Commercial real estate	SLR(1)	Supplementary leverage ratio
CVA	Credit valuation adjustment	SPDR	Spider; Standard and Poor's depository receipt
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	SPOE Strategy	Single Point of Entry Strategy
DOJ	Department of Justice	SSGA	State Street Global Advisors
DOL	Department of Labor	SSIF	State Street Intermediate Funding, LLC
ECB	European Central Bank	State Street Bank	State Street Bank and Trust Company
EPS	Earnings per share	TMRC	Trading and Markets Risk Committee
ERISA	Employee Retirement Income Security Act	UCITS	Undertakings for Collective Investments in Transferable Securities
ERM	Enterprise Risk Management	UOM	Unit of measure
eSLR	Enhanced supplementary leverage ratio	VaR	Value-at-Risk
ETF	Exchange-Traded Fund	VIE	Variable interest entity
EVE	Economic value of equity		
FASB	Financial Accounting Standards Board		
FCA	Financial Conduct Authority		
FDIC	Federal Deposit Insurance Corporation		

Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank of Boston
Form 10-Q	State Street Corporation Quarterly Report on Form 10-Q
FRBB	Federal Reserve Bank of Boston
FSB	Financial Stability Board
FX	Foreign exchange
GAAP	Generally accepted accounting principles
GEAM	General Electric Asset Management
G-SIB	Global systemically important bank
HQLA(1)	High-quality liquid assets
HTM	Held-to-maturity
IDI	Insured depository institution
LCR(1)	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
LTD	Long term debt
MBS	Mortgage-backed securities
MiFID II	Markets in Financial Instruments Directive II
MiFIR	Markets in Financial Instruments Regulation

(1) As defined by the applicable U.S. regulations.

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GLOSSARY

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 AUCA service for a client's assets, the value of the asset is only counted once in the total amount of AUCA.

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.

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 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 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.

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: Loans and leases that consist of counterparties with strong credit quality and low expected credit risk and probability of default. Ratings apply to counterparties with a strong capacity to support the timely repayment of any financial commitment.

Liquidity coverage ratio: 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. The ratio of our encumbered high-quality liquid assets divided by our total net cash outflows over a 30-day stress period.

Net asset value: The amount of net assets attributable to each share of capital stock (other than senior securities, such as, preferred stock) outstanding at the close of the period.

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: An internal risk rating that indicates the likelihood that a credit obligor will enter into default status.

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

Commercial real estate: Property intended to generate profit from capital gains or rental income. Our CRE loans are primarily composed of loans acquired in 2008 pursuant to indemnified repurchase agreements with an affiliate of Lehman Brothers.

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.

Economic value of equity: Long-term interest rate risk 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.

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.

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.

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.

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PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In June 2017, our Board approved a common stock purchase program authorizing the purchase of up to $1.4 billion of our common stock through June 30, 2018 (the 2017 Program). In June 2018, our Board approved a common stock purchase program authorizing the purchase of up to $1.2 billion of our common stock through June 30, 2019 (the 2018 Program).

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.

No shares were repurchased in both the second and the third quarters of 2018. In connection with our acquisition of Charles River Development, we do not plan to repurchase shares for the remainder of 2018. We intend to resume our common stock purchases in the first quarter of 2019 and may repurchase up to $600 million through June 30, 2019.

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
3.1	Restated Articles of Organization, as amended
4.1	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)
12	Statement of Ratios of Earnings to Fixed Charges
15	Letter regarding unaudited interim financial information
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certifications
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Label Linkbase Document
*101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Submitted electronically herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) consolidated statement of income for the three and nine months ended September 30, 2018 and 2017, (ii) consolidated statement of comprehensive income for the three and nine months ended September 30, 2018 and 2017, (iii) consolidated statement of condition as of September 30, 2018 and December 31, 2017, (iv) consolidated statement of changes in shareholders' equity for the nine months ended September 30, 2018 and 2017, (v) consolidated statement of cash flows for the nine months ended September 30, 2018 and 2017, and (vi) notes to consolidated financial statements.

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STATE STREET CORPORATION
(Registrant)

Date:	October 31, 2018	By:	/s/ ERIC W. ABOAF Eric W. Aboaf, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	October 31, 2018	By:	/s/ IAN W. APPLEYARD Ian W. Appleyard, Executive Vice President, Global Controller and Chief Accounting Officer (Principal Accounting Officer)