

STATE STREET GLOBAL SERVICES®

# State Street Corporation

**April 25<sup>th</sup> 2013**

**VIII Polish Outsourcing Forum**

**Bangalore, India**

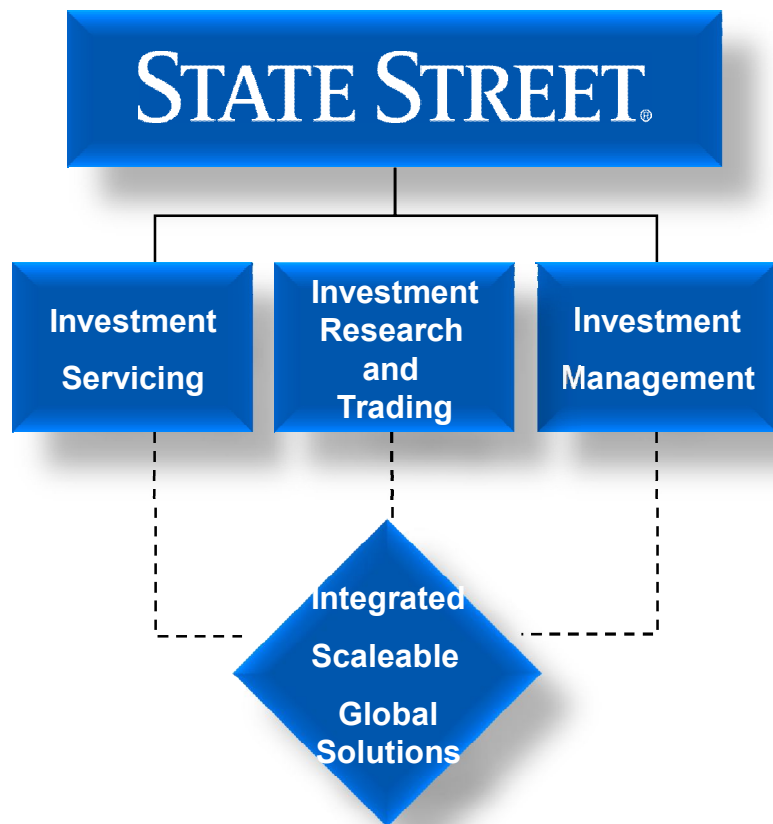
**Scott Newman**

**Vice President & General Manager**

**State Street Services (Poland) Ltd.**

**Confidential**

## Organizational Structure



### State Street Corporation

- > Founded in 1792
- > 29,660 employees worldwide
- > Office locations in 29 countries

### Investment Servicing

- > EUR 17.7 Trillion assets under custody and administration
- > EUR 12.9 Trillion assets under custody
- > Comprehensive range of administration and custody services

### Investment Management

- > Assets under management EUR 1.5 Trillion
- > Largest institutional investment manager worldwide
- > Expertise across all asset classes, risk & investment strategies

### Investment Research & Trading

- > Global leader in specialised research, trading & Securities Lending
- > EUR 11 Trillion in foreign exchange and equity volume trading

# State Street worldwide

## Strong Global Presence

29,660 employees globally

<b>AUSTRALIA</b> Sydney	<b>FRANCE</b> Paris	<b>LIECHTENSTEIN</b> Vaduz	<b>POLAND</b> Krakow	<b>TAIWAN</b> Taipei City	<b>UNITED STATES</b> California Connecticut Florida Georgia Illinois Massachusetts Missouri New Jersey New York Oregon Pennsylvania Texas
<b>AUSTRIA</b> Vienna	<b>GERMANY</b> Cologne Frankfurt Munich	<b>LUXEMBOURG</b> Luxembourg	<b>QATAR</b> Doha	<b>UNITED ARAB EMIRATES</b> Dubai	
<b>BELGIUM</b> Brussels La Hupe	<b>INDIA</b> Bangalore Mumbai Pune	<b>MALAYSIA</b> Kuala Lumpur	<b>SINGAPORE</b> Singapore	<b>UNITED KINGDOM</b> Edinburgh London Windsor	
<b>BRUNEI</b> Brunei Darussalam	<b>IRELAND</b> Drogheda Dublin Kilkenny Naas	<b>MAURITIUS</b> Port Louis	<b>SOUTH AFRICA</b> Cape Town		
<b>CANADA</b> Montreal Ottawa Toronto Vancouver	<b>ITALY</b> Milan Turin	<b>NETHERLANDS</b> Amsterdam	<b>SOUTH KOREA</b> Seoul		
<b>CAYMAN ISLANDS</b> George Town Grand Cayman	<b>JAPAN</b> Tokyo	<b>PEOPLE'S REPUBLIC OF CHINA</b> Beijing Hangzhou Hong Kong Shanghai	<b>SWITZERLAND</b> St. Gallen Zurich		
<b>CHANNEL ISLANDS</b> Guernsey Jersey					



## Our Global Customers



**Governments – Corporations – Insurance Companies – Mutual Funds  
Hedge Funds – Collective Investments – Central Banks  
Monetary Authorities – Endowments – Foundations  
Nonprofit Organizations – Health Care Institutions – Unions**

### Top 100

- Average length of relationship: 14 years
- Average number of products used: 12.4

### Top 25

- Average length of relationship: 19 years
- Average number of products used: 15.3

**Approximately 75% of new revenue comes from existing customers**

## Industry Key Themes

### Growth Drivers in Investment Servicing

#### Key Client Drivers

- Flight to quality and safety
- Cost pressures on asset managers and asset owners
- Heightened regulatory environment
- Growing need for transparency, risk management, compliance & data

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#### Solutions

- Backed by investment operations outsourcing: \$9.8 trillion in middle-office assets under administration as of December 31, 2012
- Enhanced collateral management, risk services and derivative processing
- Alternative investment solutions
- Data and analytics
- Operating Model Enhancements & Location Strategy

# State Street Services (Poland) Limited

## Background & Objectives

### Corporate Goals:

- Expand support for European-based clients by building scope, scale and revenues outside the US
- Build capacity in Europe to support client expansion and development by breaking through specific location constraints
- Implement client service enhancements by delivering efficiency gains through standardisation of the global operating model through the creation of centre's of excellence (CoE's)

### Mission Statement:

*“Identify and establish a new SSB site to support continued growth and new business opportunities in Europe at a location offering a deep and educated labour pool at a reasonable cost and in an advantageous time zone”*

## State Street Selection Criteria

- Extensive analysis initiated to consider:
  - Depth of labour pool
  - English language skills
  - Infrastructure (roads, airports)
  - Time zone
  - Salary development
  - Skill set of available labour
  - Political and regulatory environment
  - Competitive environment
  - Local government support
  
- Over 20 cities in 8 countries located in Central and Eastern Europe evaluated
  
- Apply weighting to each factor according to perceived risk



## Why Poland?

### Strong Economic Fundamentals

**Only nation in the EU to maintain positive growth over last 3 years**

**Positive outlook for future years**

Continues to get recognition from various agencies as the best SSC location in CEE, especially for Finance & Accounting

Salary levels substantially lower than many other CEE countries

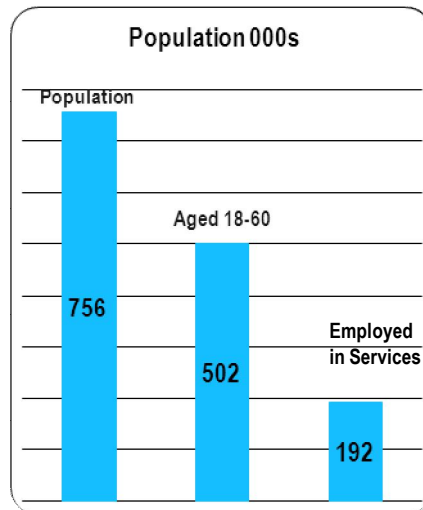
**One of the highest percentage of working age populations in Europe**

**The only CEE Country in Top 10 European Countries for FDI**

**Ranked one of the highest countries in Europe in the Talent Index**

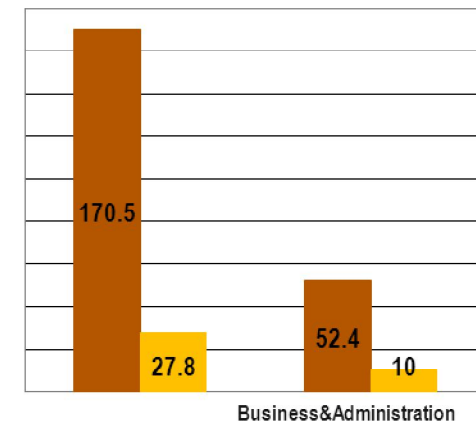
**Stable Legal & Political environment – low risk profile  
(e.g. Corruption Index, Data Protection)**

## Why Krakow?



	Ranking in country	000s of Students
Jagellonian University	2	44
University of Science and Tech.	7	30
Krakow Economic Academy	39	20

■ Students (total) 000s ■ Graduates (annual) 000s



### Talent Pool

- Skilled & Educated Workforce
- Excellent Language Capabilities
- Hard Working Culture, Ambitious

### Economy

- Salary Development projected at 5% CAGR
- Direct Foreign Investment over EUR 15 billion\*
- Over 40,000 employed in Krakow BPO Industry

### Other Factors

- Infrastructure: 2nd Largest Airport in Poland
- Advantageous Time Zone
- Government State Support Available

\* Highest of all new EU Member States

## State Street Krakow

### Key Location for Central European Operations



- Established in 2007 with 72 employees, servicing one function and three locations
- Grown to more than 1,500 employees, 12 functions and 10 locations in 5 years
- Growth driven by new business pipeline, Transformation & Quality of Workforce
- Servicing Euro 803 bn in assets / 6,000 Funds and 180 clients across Europe
- Provides Fund Accounting, Derivatives, Securities Pricing, Hedge Funds, Performance & Analytics, Financial Reporting, Finance and Collateral Mgmt. services
- Currently servicing State Street Locations in Ireland, Luxembourg, Germany, Switzerland, Netherlands, UK, France and Hedge Fund Operations, Italy, US, CA

## Workforce Profiles

### Local Operations Employee Profile

- Very strong education background
  - Majority of employees are graduates with Masters qualification
  - 80% have a Masters in Finance, Economics or Mathematics
  - 10% have a BA and are continuing their studies
  - 10% have other Masters degrees
  
- Average age is 27 years
- Gender split: 53% female – 47% Male
- Average Tenure in the business: 2 yrs.
- All staff speak fluent English, with many having a third language
- Focus on training and access to further education
- Career development opportunities assessed as top priority for workforce
- Challenging to source experienced professionals in local market

# State Street Krakow

## Market recognition

Universum student survey  
2012

1st place – „Ideal to Apply”



Poland Outsourcing and  
Shared Services Awards

Best Shared Services firm  
of the year 2012



Poland Outsourcing and  
Shared Services Awards

Business Centre Manager of the  
Year - Scott Newman



MBE Index student survey  
2012

5th place - “Ideal Shared  
Service Centre Employer”



Polish Information and  
Foreign Investment Agency  
(PAIiIZ)

Most significant investment of  
the year 2011



Teraz Polska

Nomination „Foreign Most  
Innovative Centre” 2009



Forbes Magazine Poland  
Most Innovative Centre 2009



Polish Environmental  
Partnership Foundation  
Green Office Certificate



Forbes Magazine

1st place – best banks in  
America



## Key Success Factors

### What have we experienced in Poland?

Strong Work Ethic  
 Employees capable of seeking out solutions  
 Highly educated, multi-lingual

Ambitious workforce  
 Employees seeking career progression

Deep pool of suitable candidates to recruit from

Mobile workforce

The benefits of a central EU location

High quality Real Estate & Comms infrastructure

Positive attitudes towards change

### The Positive Impact

Consistent high level of service delivered  
 Continuous increase in the complexity curve  
 Ability to service multiple locations and products

Strong pipeline of future SME's  
 Ability to source management locally

Ability to rapidly respond to growth demands

Trend of Polish nationals returning to Poland

High comfort level of Clients & Regulators

Stability & zero footprint technology solution

Implementation of new technology and ops model

### Challenges:

- Sourcing industry experienced professionals
- Increasing levels of competition for talent
- High levels of HR interaction/coaching/support related to young demographic
- Promoting the benefits of the industry to stakeholders



- POLAND**
1. Tax Regulations
  2. Inefficient Government Bureaucracy
  3. Restrictive Labour Regulations
  4. Tax Rates

## Future Strategy

- Continue with outsourcing strategy both in terms of HC and expansion of functions
- Further leverage Shared Service and COE's as key components of global footprint
- Re-structure operations (Business Transformation)
- Major I.T. investment initiative to create more efficient operating models

## Key Considerations

- Rapid growth in Krakow to date – now the 3<sup>rd</sup> largest SSB location outside the US
- How do we continue to manage business continuity in Krakow?
- To what levels will clients and regulators hold SSB accountable for outsourced activity?
- How are new market entrants impacting our ability to grow in Krakow?
- What is the key selection criteria for future growth?

## Assessing Potential Future Expansion Locations

- 33 cities considered and assessed against 3 key criteria:

- Exclude all cities which are within 150km of Krakow to address continuity concerns
- Exclude all markets which have a high corruption level and those which have been identified as medium to high risk locations by State Street's Sovereign Risk Management Division.
- Sustainable Labour Pool – to ascertain whether selected cities can 'sustain' the draw on labour State Street will create on the market based on potential growth of 1000 FTE's.

- After the initial filtering stage a shortlist of 11 cities were identified for detailed review
- 5 of the top 11 are Polish cities



Scope Market	City
	Krakow, Wroclaw, Tri City, Lodz
Poland	Lublin, Poznan, Warsaw, Katowice,
Hungary	Budapest
Czech Republic	Prague, Brno & Ostrava
Slovakia	Bratislava & Kosice
Latvia	Riga
Turkey	Istanbul & Ankara
Northern Ireland	Belfast & Derry
Romania	Bucharest & Timisoara
Estonia	Tallinn
Lithuania	Vilnius
Croatia	Zagreb
Ukraine	Kiev & Kharkiv
Morocco	Casablanca
Egypt	Cairo
Tunisia	Tunis