FORM 10-Q

STATE STREET CORP - stt

Filed: November 05, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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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 September 30, 2008

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 (State or other jurisdiction of incorporation)	**04-2456637** (I.R.S. Employer Identification No.)
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 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 ☐ (Do not check if a smaller reporting company)	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 October 27, 2008 was 431,953,026.

STATE STREET CORPORATION

Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2008

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

GENERAL

State Street Corporation is a financial holding company headquartered in Boston, Massachusetts. Through its subsidiaries, including its principal bank subsidiary, State Street Bank and Trust Company, which we refer to as State Street Bank, State Street Corporation provides a full range of products and services to meet the needs of institutional investors worldwide. 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. All references in this Form 10-Q to the parent company are to State Street Corporation. At September 30, 2008, we had consolidated total assets of $285.56 billion, consolidated total deposits of $150.87 billion, consolidated total shareholders' equity of $13.06 billion and employed 28,950.

Our customers include mutual funds and other collective investment funds, corporate and public retirement plans, insurance companies, foundations, endowments and other investment pools, and investment managers. Our two lines of business, Investment Servicing and Investment Management, provide products and services including custody, recordkeeping, daily pricing and administration, shareholder services, foreign exchange, brokerage and other trading services, securities finance, deposit and short-term investment facilities, loan and lease financing, investment manager and hedge fund manager operations outsourcing, performance, risk and compliance analytics, investment research and investment management, including passive and active U.S. and non-U.S. equity and fixed-income strategies. We had $14.05 trillion of assets under custody and $1.69 trillion of assets under management at September 30, 2008. Financial information about our business lines is provided later in the "Line of Business Information" section of this Management's Discussion and Analysis.

This Management's Discussion and Analysis is part of our Quarterly Report on Form 10-Q filed with the SEC, and updates the Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2007, which we refer to as the 2007 Form 10-K, and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008. We previously filed these reports with the SEC. 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 information contained in those reports, and in conjunction with the risk factors discussion provided in our Current Report on Form 8-K dated October 15, 2008. Certain previously reported amounts have been reclassified to conform to current period classifications as presented in this Form 10-Q.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, which we refer to as GAAP, and which require management to make judgments in the application of its accounting policies that involve significant estimates and assumptions about the effect of matters that are inherently uncertain. Accounting policies considered relatively more significant in this respect are accounting for the fair value of financial instruments, special purpose entities, goodwill and income taxes. Additional information about these accounting policies is included in the "Significant Accounting Estimates" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K. No significant changes were made to these accounting policies during the first nine months of 2008.

Certain financial information provided in this Management's Discussion and Analysis has been prepared on both a GAAP basis and an "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 impact 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 in addition to financial information prepared in accordance with GAAP.

RECENT GOVERNMENT ACTIONS

Capital Purchase Program

On October 14, 2008, the U.S. Department of the Treasury announced its capital purchase program designed to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under this program, Treasury will purchase up to $250 billion of shares of senior preferred stock from qualifying U.S. financial institutions. The minimum and maximum subscription amounts available to a participating financial institution are 1% of its risk-weighted assets and the lesser of $25 billion or 3% of its risk-weighted assets, respectively.

We and eight other large financial institutions entered into commitments to participate in this program, and on October 28, 2008, we issued 20,000 shares of our Series B fixed-rate cumulative perpetual preferred stock, $100,000 liquidation preference per share, and a warrant to purchase 5,576,208 shares of our common stock at an exercise price of $53.80 per share, to Treasury, and received total aggregate proceeds of $2 billion.

The preferred shares, which qualify as tier 1 regulatory capital, will pay cumulative quarterly dividends at a rate of 5% per year for the first five years, and 9% per year thereafter. The preferred shares are non-voting, other than class voting rights on certain matters that could adversely affect the shares. We can redeem the preferred shares at par after December 15, 2011. Prior to this date, we can only redeem the preferred shares at par in an amount up to the cash proceeds (minimum $500 million) from qualifying equity offerings of any tier 1-eligible perpetual preferred or common stock. Any redemption is subject to the consent of the Board of Governors of the Federal Reserve System. Until October 28, 2011, or such earlier time as the preferred stock has been redeemed or transferred by Treasury, we will not, without Treasury's consent, be permitted to increase the dividend per share on our common stock or repurchase our common stock.

The warrant is immediately exercisable, and has a 10-year term. The exercise price of $53.80 per share was based upon the average of the closing prices of our common stock during the 20-trading day period ended October 10, 2008, the last trading day prior to our election to participate in the program. The exercise price and number of shares subject to the warrant are both subject to anti-dilution adjustments. Treasury has agreed not to exercise voting power with respect to any shares of our common stock issued upon exercise of the warrant. If we receive aggregate gross cash proceeds of at least $2 billion from one or more qualifying equity offerings of tier 1-eligible perpetual preferred or common stock on or prior to December 31, 2009, the number of shares of common stock underlying the warrant then held by Treasury will be reduced by one-half of the original number of shares, considering all adjustments, underlying the warrant.

The proceeds from the issuance will be allocated on a relative fair value basis between the preferred shares and the warrant. The preferred shares and the warrant will both be classified in shareholders' equity in our consolidated statement of condition. The issuance, including dividends, is expected to result in a reduction of basic and diluted earnings per common share.

We issued the preferred shares and the warrant in a private placement exempt from the SEC's registration requirements, and will file a registration statement covering the preferred shares, the warrant and the shares of common stock underlying the warrant. Neither the preferred shares nor the warrant are subject to any contractual restrictions on transfer, except that Treasury may only transfer or exercise an aggregate of one-half of the warrant shares prior to December 31, 2009, unless State Street has received gross proceeds from qualified equity offerings that are at least equal to the $2 billion initially received from Treasury. During the period that Treasury holds any of the preferred shares, the warrant or any shares of our common stock issuable upon exercise of the warrant, we are subject to certain restrictions on the compensation of our senior executive officers.

Commercial Paper Funding Facility

On October 7, 2008, the Federal Reserve Board announced the creation of the "Commercial Paper Funding Facility," referred to as the CPFF, to complement its existing credit facilities. The CPFF is intended to assist in providing liquidity to the term funding markets by providing eligible domestic issuers of commercial paper with a source of back-up liquidity. The CPFF will facilitate the issuance of term commercial paper by eligible issuers through the formation of a special purpose vehicle that will purchase three-month unsecured and asset-backed commercial paper directly from the issuers.

The CPFF is intended to increase investor demand for commercial paper and reduce the risk that eligible issuers will not be able to repay investors by rolling over their commercial paper obligations. The increased demand should encourage investors to engage in term lending in the commercial paper market and enhance the ability of financial intermediaries to facilitate credit.

We have elected not to participate in the CPFF at this time. However, we may participate in the CPFF in the future. In October 2008, we were hired to administer the CPFF and provide custody services with respect to commercial paper purchased by the special purpose vehicle from issuers.

Asset-Backed Commercial Paper Money Market Mutual Funds Liquidity Facility

In September 2008, the Federal Reserve Bank of Boston instituted the "Asset-Backed Commercial Paper Money Market Mutual Funds Liquidity Facility," referred to as the AMLF. The AMLF was designed to assist in restoring liquidity to the asset-backed commercial paper markets and assist registered money market mutual funds in maintaining adequate liquidity to meet investor redemption demand. The AMLF will be available until January 30, 2009, unless extended by the Board of Governors of the Federal Reserve, and allows a depository institution or bank holding company to borrow funds on a non-recourse basis from the Federal Reserve Bank's discount window at fixed interest rates to fund purchases of qualifying asset-backed commercial paper from an eligible money market mutual fund or other eligible entity under certain conditions. The term of the borrowing must equal the maturity of the eligible asset-backed commercial paper collateralizing the borrowing. The terms of the AMLF permit exclusion of the assets from regulatory leverage and risk-based capital calculations, since the borrowings are extended on a non-recourse basis and, as a result, there is no credit or market risk exposure to us on the assets.

We participated in the AMLF during the third quarter of 2008 to provide liquidity to certain eligible unaffiliated money market mutual funds, and as of September 30, 2008, we carried asset-backed commercial paper of $76.66 billion purchased under this facility, with corresponding outstanding borrowings totaling $76.63 billion, in our consolidated balance sheet. As of September 30, 2008, the aggregate securities we held in connection with our participation in the AMLF included approximately $1.63 billion of eligible asset-backed commercial paper issued by the State Street-administered asset-backed commercial paper conduits. During the third quarter of 2008, we earned net interest revenue of approximately $8 million by earning a spread between the yield we earned on the securities and the rate we paid on the borrowings.

Additional information with respect to our participation in the AMLF is provided in note 6 to the consolidated financial statements included in this Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Form 10-Q, particularly this Management's Discussion and Analysis, contains statements that are considered "forward looking statements" within the meaning of United States securities laws. In addition, management may make other written or oral communications from time to time that contain forward-looking statements. Forward-looking statements, including statements about industry trends, management's future expectations and other matters that do not relate strictly to historical facts, are based on assumptions by management, and are often identified by such forward-looking terminology as "expect," "look," "believe," "anticipate," "estimate," "seek," "may," "will," "trend," "target," and "goal" or similar statements 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. Forward-looking statements may include, among other things, statements about our confidence in our strategies and our expectations about financial performance, market growth, market and regulatory trends and developments, acquisitions and divestitures, new technologies, services and opportunities, and earnings.

Factors that could cause changes in the expectations or assumptions on which forward-looking statements are based include, but are not limited to:

- The financial strength of the counterparties with which we or our customers do business and with which we have investment or financial exposure;
- The liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities, and the liquidity requirements of our customers;
- Potential changes to the competitive environment due to the effects of consolidation, regulation and perceptions of State Street as a suitable service provider or counterparty;
- The level and volatility of interest rates, particularly in the U.S., Europe and the Asia/Pacific region; and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally;
- Economic conditions and monetary and other governmental actions designed to address the level and volatility of interest rates and the volatility of securities, currency and other markets in the U.S. and internationally;
- Our ability to measure the fair value of securities in our investment securities portfolio and in the asset-backed commercial paper conduits we administer, particularly given current market conditions for many of these securities;
- The credit quality and credit agency ratings 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, the maintenance of credit agency ratings for our debt obligations as well as the level of credibility of credit agency ratings;

- Our ability to attract non-interest bearing deposits and other low-cost funds;
- The possibility that changes in accounting rules, market conditions or asset performance may require any off-balance sheet activities, including the asset-backed commercial paper conduits we administer, to be consolidated into our financial statements, requiring the recognition of unrealized losses, if any;
- The results of litigation and similar disputes and, in particular, the effect that current or potential litigation may have on our reputation and State Street Global Advisors', or SSgA's, reputation, and our ability to attract and retain customers; and the possibility that the ultimate costs of the legal exposure associated with certain of SSgA's actively managed fixed-income strategies may exceed or be below the level of the related reserve, in view of the uncertainties of the timing and outcome of litigation and the amounts involved;
- The possibility of further developments of the nature that previously gave rise to the legal exposure associated with certain of SSgA's actively managed fixed-income and other investment strategies;
- Our ability to integrate acquisitions into our business, including the acquisition of Investors Financial Services Corp., or Investors Financial;
- The performance and demand for the products and services we offer, including the level and timing of withdrawals from our collective investment products;
- The enactment of legislation and changes in regulation and enforcement that impact us and our customers, as well as the effects of legal and regulatory proceedings, including litigation;
- Our ability to continue to achieve growth in revenue, control expenses and attract the capital necessary to achieve our business goals and comply with regulatory requirements;
- Our ability to navigate systemic risks and control operating risks;
- Our ability to obtain quality and timely services from third parties with which we contract;
- Trends in the globalization of investment activity and the growth on a worldwide basis in financial assets and the resulting sovereign and monetary policy risks;
- Trends in governmental and corporate pension plans and savings rates;
- Changes in accounting standards and practices, including changes in the interpretation of existing standards, that impact our consolidated financial statements; and
- Changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities that impact 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 above and elsewhere in this Form 10-Q or disclosed in our other SEC filings. Forward-looking statements should not be relied upon as representing our expectations or beliefs as of any time subsequent to the time this Form 10-Q is filed with the SEC. State Street undertakes 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 and elsewhere in this Form 10-Q are not intended to be a complete summary of all risks and uncertainties that may affect our businesses. Though we strive to monitor and mitigate risk, we cannot anticipate all potential economic, operational and financial developments that may adversely impact our operations and our financial results.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

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 this Form 10-Q and in our other SEC filings, including our reports on Form 10-K and Form 8-K, which are accessible on the SEC's website at *www.sec.gov* or on our website at *www.statestreet.com.*

OVERVIEW OF FINANCIAL RESULTS

	Quarters Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except per share amounts)	**2008**	**2007**	**% Change**	**2008**	**2007(1)**	**% Change**
Total fee revenue	**$ 1,899**	$ 1,799	6%	**$ 5,866**	$ 4,706	25%
Net interest revenue(2)	**525**	464	13	**1,807**	1,174	54
Gains (Losses) related to investment securities, net	**(3)**	(23)		**(3)**	(23)	
Gain on sale of CitiStreet, net of exit and other associated costs	**350**	—		**350**	—	
Total revenue	**2,771**	2,240	24	**8,020**	5,857	37
Total operating expenses(3)(4)	**1,925**	1,689	14	**5,540**	4,260	30
Income before income tax expense	**846**	551	54	**2,480**	1,597	55
Income tax expense	**369**	193		**925**	559	
Net income	**$ 477**	$ 358	33	**$ 1,555**	$ 1,038	50
Earnings per share(5):						
Basic	**$ 1.11**	$ .92	21	**$ 3.82**	$ 2.95	29
Diluted	**1.09**	.91	20	**3.78**	2.91	30
Average shares outstanding (in thousands):						
Basic	**430,872**	386,843		**407,186**	352,410	
Diluted	**435,030**	392,150		**411,204**	356,695	
Cash dividends declared	**.24**	.22		**.71**	.65	
Return on shareholders' equity	**13.6%**	12.6%		**16.8%**	15.9%	

(1) Nine months ended September 30, 2007 include results of the Investors Financial business, which State Street acquired on July 2, 2007, for the quarter ended September 30, 2007.

(2) Quarter and nine months ended September 30, 2008 include a $98 million cumulative reduction of net interest revenue related to SILO leveraged lease transactions.

(3) Quarter and nine months ended September 30, 2008 include merger and integration costs of $30 million and $88 million, respectively, and quarter and nine months ended September 30, 2007 each include $141 million, recorded in connection with the acquisition of Investors Financial.

(4) Quarter and nine months ended September 30, 2008 include a $200 million provision for estimated net exposure on an indemnification obligation associated with collateralized repurchase agreements.

(5) Quarter and nine months ended September 30, 2008 reflect the issuance of 40.5 million shares of common stock in a public offering on June 3, 2008.

Highlights of Financial Results

Third quarter 2008 net income of $477 million increased 33%, and diluted earnings per share of $1.09 increased 20%, from net income of $358 million and diluted earnings per share of $.91 for the third quarter of 2007. Net income was $1.56 billion and diluted earnings per share were $3.78 for the first nine months of 2008, compared to $1.04 billion and $2.91, respectively, for the first nine months of 2007. Results for the 2008 periods included the following significant items outside of the ordinary course of our business.

- We participated in the Federal Reserve Bank of Boston's AMLF, instituted by the Federal Reserve in September 2008, which was designed to assist registered money market mutual funds in maintaining adequate liquidity to meet investor redemption demand, and earned $8 million of pre-tax net interest revenue related to this program during the third quarter of 2008 (see note 6 to the consolidated financial statements for additional information);

- During the third quarter of 2008, the IRS issued a standard settlement offer to taxpayers that have entered into SILO leveraged leases. We did not accept the offer and continue to pursue our appeal rights within the IRS. In consideration of the terms of the offer and the context in which it was issued, we revised our projection of the timing and amount of tax cash flows from the leases and recalculated the recognition of lease-related revenue over the leases' terms from their inception. This recalculation resulted in a cumulative reduction of net interest revenue of $98 million and the accrual of income tax expense of $39 million for the third quarter of 2008 (see note 8 to the consolidated financial statements for additional information);

- We completed the sale of our 50% joint venture interest in CitiStreet in July 2008, and recognized a $350 million pre-tax gain, which was net of exit and other costs associated with the sale (see note 2 to the consolidated financial statements for additional information);

- We recorded $30 million and $88 million of merger and integration costs during the third quarter and first nine months of 2008, respectively, associated with our July 2007 acquisition of Investors Financial; and

- During the third quarter of 2008, we recorded a $200 million provision to recognize our estimated net exposure related to an indemnification obligation associated with collateralized repurchase agreements with an affiliate of Lehman Brothers Holdings Inc. (see note 8 to the consolidated financial statements for additional information).

Comparing the third quarter of 2008 to the third quarter of 2007, our total revenue grew 24% to $2.77 billion, reflective of the CitiStreet gain and the growth of certain of our existing businesses. Total fee revenue was up 6%, with increases in servicing fees (up 3%), trading services revenue (up 13%) and securities finance revenue (up 49%). Management fees and processing fees and other revenue declined 13% and 19%, respectively, compared to the third quarter of 2007.

The increase in servicing fee revenue resulted from the impact of increased business from new and existing customers, partly offset by the impact of lower average equity market valuations. Management fees decreased due to declines in month-end equity market valuations and performance fees. Both servicing fees and management fees are sensitive to changes in market valuations, particularly equity valuations, as our fees are based, in part, on levels of assets under custody, administration or management. Trading services revenue, particularly foreign exchange trading revenue, benefited from a 51% increase in currency volatility. The increase in securities finance revenue was primarily driven by wider average credit spreads, which were partly offset by lower volumes of securities on loan caused by lower equity market valuations and shorter loan durations. Some institutional investors have suspended or withdrawn from securities lending programs, which is anticipated to continue to result in lower volumes of securities on loan during the fourth quarter of 2008. Processing fees and other revenue declined as a result of a lower level of fees and lower revenue from joint ventures.

Net interest revenue increased 13% for the third quarter of 2008 compared to the prior-year third quarter, or 14% on a fully taxable-equivalent basis ($550 million compared to $481 million, reflecting tax-equivalent adjustments of $25 million and $17 million, respectively), with a related increase in net interest margin of 10 basis points. These increases were primarily due to the impact of Federal Reserve reductions in interest rates during 2008 and an increase in customer deposits. If the additional net interest revenue of $8 million from our participation in the AMLF and the $98 million reduction of net interest revenue related to SILO leveraged leases are excluded, net interest revenue for the third quarter of 2008 was $640 million ($550 million less $8 million plus $98 million), an increase of 33% compared to $481 million for the third quarter of 2007.

Total operating expenses increased 14% over the prior-year quarter. Operating expenses for the third quarter of 2008 and 2007 included $30 million and $141 million, respectively, of merger and integration costs associated with the acquisition of Investors Financial and, for the third quarter of 2008, included a $200 million charge to provide for our estimated net exposure to customers on an indemnification obligation associated with collateralized repurchase agreements with an affiliate of Lehman Brothers Holdings Inc. The increase in total operating expenses resulted primarily from the provision for the indemnification obligation. If the provision for the indemnification obligation and the merger and integration costs associated with the Investors Financial acquisition are excluded, total operating expenses increased to $1.695 billion ($1.925 billion less $30 million and $200 million) from $1.548 billion ($1.689 billion less $141 million), or 9.5%, primarily due to increased staffing levels to support new business and higher benefits costs.

With growth in total revenue exceeding the growth in total expenses in the quarterly and year-to-date comparisons, we achieved positive operating leverage for both periods. Operating leverage represents the difference between the growth rate of total revenue and the growth rate of total expenses.

Our Investment Servicing business line continued to generate new business. During the third quarter of 2008, we generated approximately $280 billion of new business in assets to be serviced, for which we will provide various services including accounting, fund administration, custody, foreign exchange, transition management, currency management, securities finance, transfer agency, performance analytics, compliance reporting and monitoring, hedge fund servicing and private equity administration, and investment manager operations outsourcing. With respect to this new business, we will earn fee revenue in future periods as we service the assets.

At September 30, 2008, we had aggregate assets under custody of $14.05 trillion, which decreased $1.25 trillion, or 8%, from $15.30 trillion at December 31, 2007, and decreased $1.10 trillion, or 7%, from $15.15 trillion at September 30, 2007. At September 30, 2008, we had aggregate assets under management of $1.69 trillion, which decreased from $1.98 trillion at December 31, 2007 and $2.00 trillion at September 30, 2007. The decreases in assets under custody and assets under management from December 31, 2007 to September 30, 2008 were caused primarily by the continued instability in the financial markets and resulting declines in asset valuations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

Our effective income tax rate for the third quarter of 2008 was 43.7%, compared to 35% in the 2007 quarter, and 33.7% for full-year 2007. The increase in the effective rate for 2008 was primarily the result of the net tax impact of the significant items described previously under "Highlights of Financial Results."

CONSOLIDATED RESULTS OF OPERATIONS

This section discusses our consolidated results of operations for the third quarter and first nine months of 2008 compared to the same periods in 2007, and should be read in conjunction with the consolidated financial statements and accompanying condensed notes included in this Form 10-Q.

TOTAL REVENUE

	Quarters Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2008	2007	% Change	2008	2007	% Change
Fee revenue:						
Servicing fees	**$ 966**	$ 937	3%	**$ 2,903**	$ 2,421	20%
Management fees	**261**	299	(13)	**819**	844	(3)
Trading services	**363**	320	13	**1,049**	800	31
Securities finance	**246**	165	49	**901**	425	112
Processing fees and other	**63**	78	(19)	**194**	216	(10)
Total fee revenue	**1,899**	1,799	6	**5,866**	4,706	25
Net interest revenue:						
Interest revenue	**1,027**	1,383	(26)	**3,452**	3,758	(8)
Interest expense	**502**	919	(45)	**1,645**	2,584	(36)
Net interest revenue	**525**	464	13	**1,807**	1,174	54
Gains (Losses) related to investment securities, net	**(3)**	(23)		**(3)**	(23)	
Gain on sale of CitiStreet interest, net of exit and other associated costs	**350**	—		**350**	—	
Total revenue	**$ 2,771**	$ 2,240	24	**$ 8,020**	$ 5,857	37

Fee Revenue

Servicing fees and management fees collectively comprised approximately 65% of total fee revenue for the third quarter and 63% for the first nine months of 2008, compared to approximately 69%, respectively, for each of the corresponding prior-year periods. These fee levels are a function of several factors, including the mix and volume of assets under custody and assets under management, securities positions held and the volume of portfolio transactions, as well as the types of products and services used by customers. These fees are affected by changes in worldwide equity and fixed-income asset valuations. Generally, servicing fees are affected, in part, by changes in daily average valuations of assets under custody, while management fees are affected by changes in month-end valuations of assets under management. As a result, management fee revenue is generally more sensitive to changes in market valuations than servicing fee revenue. Additional factors, such as the level of transaction volumes, changes in service level, balance credits, customer minimum balances, pricing concessions and other factors, may have a significant impact on servicing fee revenue. Performance fees, a component of management fee revenue, are generated when the performance of managed funds exceeds benchmarks specified in the management agreements.

Generally, 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 asset values were to increase or decrease by 10%, we would anticipate, under the same assumptions, a corresponding change of approximately 1% in our total revenue.

Servicing fees

Servicing fees are derived from custody, product- and participant-level accounting, daily pricing and administration; recordkeeping; investment manager and hedge fund manager operations outsourcing; master trust and master custody; and performance, risk and compliance analytics. The increase in servicing fees in the quarterly and nine-month comparisons was attributable to the impact of new business from new and existing customers, partly offset by the impact of declines in daily average equity market valuations. The nine-month comparison also benefited from the contribution of servicing fee revenue from the acquired Investors Financial business, which for 2007 contributed revenue only for the third quarter of that year. The daily average values for the third quarter of 2008 for the S&P 500 Index were down 16%, and for the MSCI® EAFE Index were down 19%, compared with the third quarter of 2007. For the first nine months of the year, daily average values for the S&P 500 Index and MSCI® EAFE Index were down 10% and 9%, respectively. During 2008, the portion of assets under custody composed of equities, which generally earn higher fees, declined as a percentage of total assets under custody, reflecting the impact of declines in equity market valuations.

ASSETS UNDER CUSTODY (In billions)	**September 30, 2008**	**December 31, 2007**	**September 30, 2007**
Mutual funds	**$ 4,457**	$ 4,803	$ 4,771
Collective funds	**2,745**	3,199	3,146
Pension products	**3,571**	3,960	3,934
Insurance and other products	**3,272**	3,337	3,297
Total	**$ 14,045**	$ 15,299	$ 15,148
FINANCIAL INSTRUMENT MIX OF ASSETS UNDER CUSTODY (In billions)			
Equities	**$ 6,722**	$ 8,653	$ 8,210
Fixed-income	**5,125**	4,087	4,347
Short-term and other investments	**2,198**	2,559	2,591
Total	**$ 14,045**	$ 15,299	$ 15,148

Management fees

The decrease in management fees in the quarterly and nine-month comparisons was primarily due to the impact of declines in average month-end equity market valuations and performance fees. The decrease in the nine-month comparison was partly offset by higher management fees earned on new business awarded in prior periods. The averages of month-end values for the S&P 500 Index were down 17%, and for the MSCI® EAFE Index were down 21%, compared with the third quarter of 2007, and in the nine-month comparison the average month-end equity market valuations were down 11% for each of the S&P 500 Index and the MSCI® EAFE Index. Performance fees composed about 3% of our management fee revenue for the third quarter of 2008 and 2% for the first nine months of 2008, compared to about 6% for each of the third quarter and first nine months of 2007. Performance fees were $7 million and $18 million for the third quarter and first nine months of 2008, respectively, compared to $18 million and $51 million for the third quarter and first nine months of 2007. The decreases in both comparisons generally resulted from somewhat lower performance measured against the specified benchmarks during 2008, as well as reduced levels of assets under management on which such fees were earned.

ASSETS UNDER MANAGEMENT (In billions)	September 30, 2008	December 31, 2007	September 30, 2007
Equities:			
Passive	**$ 685**	$ 803	$ 781
Active and other	**125**	206	216
Company stock/ESOP	**52**	79	87
Total equities	**862**	1,088	1,084
Fixed-income:			
Passive	**200**	218	201
Active	**28**	41	43
Cash and money market	**596**	632	666
Total fixed-income and cash	**824**	891	910
Assets under management from Investors Financial	**—**	—	4
Total	**$ 1,686**	$ 1,979	$ 1,998

The following table presents a summary of activity in assets under management for the twelve months ended September 30, 2008.

ASSETS UNDER MANAGEMENT (In billions)	
September 30, 2007	$1,998
Net new business	(22)
Market appreciation	3
December 31, 2007	1,979
Net new business	**(5)**
Market depreciation	**(288)**
September 30, 2008	**$1,686**

Trading services

Trading services revenue, which includes foreign exchange trading revenue and brokerage and other trading fees, increased 13% for the third quarter of 2008 compared to the third quarter of 2007 and increased 31% in the nine-month comparison. Foreign exchange trading revenue for the third quarter and first nine months of 2008 totaled $258 million and $750 million, respectively, up 15% and 36% from the corresponding prior-year periods. The quarterly increase in foreign exchange trading revenue reflected a 51% increase in currency volatility, partially offset by a 3% decline in aggregate customer volumes. The nine-month increase in foreign exchange trading revenue resulted from a 60% increase in currency volatility along with a 12% increase in customer volumes, as well as the contribution of foreign exchange revenue from the acquired Investors Financial business compared to one quarter of revenue for the 2007 period.

Brokerage and other trading fees totaled $105 million for the third quarter of 2008, up 9% from the third quarter of 2007, and $299 million for the first nine months of 2008, up 20% from the corresponding 2007 period, in both instances primarily due to the contribution of fees from the Currenex operations acquired in March 2007, increased fees from brokerage services and higher trading profits.

Securities finance

Securities finance revenue for the third quarter of 2008 increased 49% compared to the third quarter of 2007 and 112% in the nine-month comparison, with both increases primarily due to wider credit spreads across all lending programs. In both comparisons, the widening in spreads was partly offset by a decline in the volume of securities on loan. The nine-month comparison also benefited from revenue contributed by the acquired Investors Financial business. Spreads benefited from the continued disruption in the global fixed-income securities markets, as well as from the Federal Reserve Board's aggregate 225 basis point reduction in the federal funds rate during 2008. Since the middle of the third quarter of 2008, a number of institutional investors have suspended or limited participation in our securities lending program. This has resulted in decreased lending volumes, partly offset by higher spreads. The decreased lending volumes are expected to continue as long as the suspended or limited participation continues or increases. We have seen increased withdrawal activity from the underlying collateral pools, but have been able to manage these outflows in a manner that substantially mitigates the risk of loss to our customers.

Processing Fees and Other

The 19% decrease in processing fees and other revenue in the quarterly comparison resulted from a lower level of fees as well as lower revenue from joint ventures. The 10% decrease in the nine-month comparison resulted from the decline in fee revenue from our Structured Products group as well as lower joint venture-related revenue, partly offset by the contribution of revenue from the acquired Investors Financial business for the full nine-month period in 2008. The global financial markets disruption continued to reduce fees generated from our State Street-administered asset-backed commercial paper activities, as rates paid on commercial paper remained at high levels and spreads between the overall yield on the assets collateralizing the commercial paper and the rates paid to investors in the commercial paper narrowed.

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

NET INTEREST REVENUE

	For the Quarters Ended September 30,					
	2008			2007		
(Dollars in millions; fully taxable-equivalent basis)	Average Balance	Interest Revenue/ Expense	Rate	Average Balance	Interest Revenue/ Expense	Rate
Federal funds sold and securities purchased under resale agreements	**$ 12,565**	**$ 78**	**2.48%**	$ 14,445	$ 195	5.36%
Investment securities	**72,094**	**752**	**4.15**	74,616	983	5.23
Investment securities purchased under AMLF(1)	**4,498**	**45**	**3.98**	—	—	—
Loans and leases(2)	**11,604**	**(23)**	**(0.83)**	11,599	90	3.06
Other	**18,367**	**200**	**4.35**	9,308	132	5.67
Total interest-earning assets	**$ 119,128**	**$ 1,052**	**3.51**	$ 109,968	$ 1,400	5.05
Deposits	**$ 75,372**	**$ 320**	**1.69%**	$ 74,279	$ 638	3.40%
Short-term borrowings under AMLF(1)	**4,495**	**37**	**3.30**	—	—	—
Other short-term borrowings	**19,672**	**89**	**1.80**	20,251	219	4.31
Long-term debt	**4,116**	**56**	**5.45**	3,730	62	6.65
Total interest-bearing liabilities	**$ 103,655**	**$ 502**	**1.93**	$ 98,260	$ 919	3.71
Interest-rate spread			**1.58%**			1.34%
Net interest revenue—fully taxable-equivalent basis(3)		**$ 550**			$ 481	
Net interest margin—fully taxable-equivalent basis			**1.83%**			1.73%
Net interest revenue—GAAP basis		**$ 525**			$ 464	

(1) Amounts represent averages of asset-backed commercial paper purchases from eligible unaffiliated money market mutual funds under the Federal Reserve Bank of Boston's AMLF, and associated borrowings. Additional information about the AMLF is provided in note 6 to the consolidated financial statements included in this Form 10-Q.

(2) Interest revenue for loans and leases for the quarter ended September 30, 2008 is net of a cumulative reduction of $98 million, recorded in connection with our recalculation of the allocation of the components of leasing-related revenue over the terms of our SILO leveraged lease transactions, associated with our appeal of the IRS's disallowance of tax losses from these leases.

(3) Amounts include fully taxable-equivalent adjustments of $25 million for 2008 and $17 million for 2007.

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

	For the Nine Months Ended September 30,					
	2008			2007		
(Dollars in millions; fully taxable-equivalent basis)	Average Balance	Interest Revenue/ Expense	Rate	Average Balance	Interest Revenue/ Expense	Rate
Federal funds sold and securities purchased under resale agreements	**$ 14,833**	**$ 320**	**2.88%**	$ 14,103	$ 574	5.44%
Investment securities	**72,374**	**2,365**	**4.36**	69,345	2,672	5.15
Investment securities purchased under AMLF[(1)]	**1,510**	**45**	**3.98**	—	—	—
Loans and leases[(2)]	**11,595**	**178**	**2.05**	10,148	261	3.43
Other	**18,591**	**620**	**4.45**	6,869	292	5.69
Total interest-earning assets	**$ 118,903**	**$ 3,528**	**3.96**	$ 100,465	$ 3,799	5.05
Deposits	**$ 79,265**	**$ 1,112**	**1.87%**	$ 64,294	$ 1,654	3.44%
Short-term borrowings under AMLF[(1)]	**1,509**	**37**	**3.30**	—	—	—
Other short-term borrowings	**20,542**	**323**	**2.10**	22,551	762	4.52
Long-term debt	**4,091**	**173**	**5.63**	3,327	168	6.75
Total interest-bearing liabilities	**$ 105,407**	**$ 1,645**	**2.08**	$ 90,172	$ 2,584	3.83
Interest-rate spread			**1.88%**			1.22%
Net interest revenue—fully taxable-equivalent basis[(3)]		**$ 1,883**			$ 1,215	
Net interest margin—fully taxable-equivalent basis			**2.12%**			1.62%
Net interest revenue—GAAP basis		**$ 1,807**			$ 1,174	

(1) Amounts represent averages of asset-backed commercial paper purchases from eligible unaffiliated money market mutual funds under the Federal Reserve Bank of Boston's AMLF, and associated borrowings. Additional information about the AMLF is provided in note 6 to the consolidated financial statements included in this Form 10-Q.

(2) Interest revenue for loans and leases for the nine months ended September 30, 2008 is net of a cumulative reduction of $98 million, recorded in connection with our recalculation of the allocation of the components of leasing-related revenue over the terms of our SILO leveraged lease transactions, associated with our appeal of the IRS's disallowance of tax losses from these leases.

(3) Amounts include fully taxable-equivalent adjustments of $76 million for 2008 and $41 million for 2007.

Net interest revenue is defined as the total of interest revenue earned on interest-earning assets less interest expense paid on interest-bearing liabilities. Interest-earning assets, which consist of investment securities, loans and leases and other liquid assets, are financed primarily by customer deposits and short-term borrowings. Net interest margin represents the relationship between net interest revenue and average interest-earning assets. Changes in the components of average interest-earning assets and average interest-bearing liabilities are discussed in more detail below. Additional detail about the components of interest revenue and interest expense is in note 13 to the consolidated financial statements included in this Form 10-Q.

On a fully taxable-equivalent basis, net interest revenue for the third quarter of 2008 increased 14% compared to the third quarter of 2007, and net interest margin increased to 1.83% from 1.73%. For the nine months ended September 30, 2008, on a fully taxable-equivalent basis, net interest revenue increased 55% compared to the corresponding 2007 period, and net interest margin increased to 2.12% from 1.62%. The growth in both comparisons was generally the result of the widening of spreads on fixed-rate investment securities and floating-rate asset-backed investment securities. In addition, average interest-bearing deposits grew 23% in the nine-month comparison, largely attributable to the addition of deposits associated with the Investors Financial acquisition and an increase in non-U.S. transaction deposits. Average transaction deposit volumes, particularly non-U.S. deposits, increased 15% in the third quarter and 22% in the nine-month comparison, primarily the result of customers' accumulation of cash balances to build liquidity.

Average federal funds sold and securities purchased under resale agreements decreased 13%, or $1.88 billion, to $12.57 billion, for the third quarter of 2008 compared to the third quarter of 2007, and increased 5%, or $730 million, to $14.83 billion in the nine-month comparison. The decrease in the third quarter comparison was due to a re-allocation of excess liquidity to U.S. Treasury securities.

Our average investment securities portfolio decreased from approximately $74.62 billion to approximately $72.09 billion for the third quarter of 2008 compared to the third quarter of 2007, and increased from approximately $69.35 billion to approximately $72.37 billion in the nine-month comparison. The decrease in the third quarter was due to reduced levels of re-investment in order to build liquidity, as well as lower market valuations in the available-for-sale portfolio. The increase in the nine-month comparison was mainly due to the addition of the investment securities of Investors Financial.

Loans and leases averaged $11.60 billion, up 14% or $1.45 billion, for the nine-month 2008 period compared to the corresponding nine-month 2007 period average of $10.15 billion. The increase was primarily related to higher average levels of customer overdraft activity associated with the growth in customer deposits. Approximately 69% of the average loan and lease portfolio was composed of U.S. and non-U.S. short-duration advances, primarily related to the processing of custodied customer investments, which averaged approximately $7.95 billion for the nine months ended September 30, 2008, up $903 million, or 13%, from $7.05 billion for the comparable period in 2007.

Average other interest-earning assets increased 97%, or $9.06 billion, to $18.37 billion for the third quarter of 2008 compared to the third quarter of 2007, and increased 171%, or $11.72 billion, to $18.59 billion for the nine-month period compared to the corresponding period for 2007. The increases in both comparisons were principally due to an increase in interest-bearing deposits with banks, which primarily resulted from the investment of excess short-term liquidity with an average duration of less than one month.

Our average interest-bearing deposits increased $1.09 billion, or 1%, from $74.28 billion to $75.37 billion for the third quarter of 2008 compared to the third quarter of 2007, and increased $14.97 billion, or 23%, from $64.29 billion to $79.27 for the nine-month period compared to the corresponding period for 2007. The increase in the third quarter comparison was due to an increase in non-U.S. transaction deposits partly offset by a decrease in domestic certificates of deposit, and in the nine-month comparison was mainly due to the impact of the acquisition of Investors Financial and an increase in non-U.S. transaction deposits. This deposit growth was the most significant contributor to the overall increase in average interest-earning assets for the nine-month comparison.

Average other short-term borrowings decreased $580 million, or 3%, from $20.25 billion to $19.67 billion in the quarterly comparison and decreased $2.01 billion, or 9%, from $22.55 billion to $20.54 billion in the nine-month comparison. The decrease in both comparisons was primarily due to a higher level of borrowings, which resulted from higher customer demand for short-term investment products, more than offset by increased levels of netting arrangements with counterparties. Average long-term debt increased 10% in the quarterly comparison due to debt issuances in 2007 associated with the Investors Financial acquisition, and 23% in the nine-month comparison, due to an additional issuance in 2008 to enhance our regulatory capital position. Note 7 to the consolidated financial statements included in this Form 10-Q provides additional information on the 2008 debt issuance.

Several factors could affect future levels of our net interest revenue and margin, including the mix of customer liabilities, our continued participation in the AMLF, the shapes of the various yield curves around the world, the Federal Reserve's ongoing actions to manage short-term interest rates, and the level and pace of changes in non-U.S. interest rates, particularly as a result of actions of the European Central Bank and the Bank of England.

Gains (Losses) Related to Investment Securities, Net

We recorded net gains of $41 million from sales of available-for-sale securities in the first nine months of 2008, including $26 million in the third quarter, compared to a net loss of $6 million in both the third quarter and first nine months of 2007. We also recorded other-than-temporary impairment of $44 million in the first nine months of 2008, including $29 million in the third quarter, and $17 million in the first nine months of 2007, all in the third quarter of that year. The aggregate impairment of $44 million for the first nine months of 2008, most of which related to five securities, resulted from our impairment analysis process. Management regularly reviews the investment securities portfolio to determine whether they expect any loss of principal or interest in light of current market and economic conditions and their expectations. The process considers, where appropriate, management expectations related to housing prices, expected borrower defaults and the security's overall capital structure. As a result of this process, management identified securities that they believed were impaired. Additional information about available-for-sale securities, and the gross gains and losses that compose the net sale gains, is in the "Financial Condition" section of this Management's Discussion and Analysis and in note 3 to the consolidated financial statements included in this Form 10-Q.

Gain on Sale of CitiStreet Interest, Net of Exit and Other Associated Costs

On July 1, 2008, we completed the sale of our 50% joint venture interest in CitiStreet, a benefits servicing business that provides retirement plan recordkeeping and administrative services and at that date had approximately $220 billion in assets under administration on behalf of corporate and government entities, employee unions and other customers. The premium received in connection with the sale was $407 million, and we recorded a resulting pre-tax gain of $350 million in our consolidated statement of income during the third quarter of 2008, net of exit and other associated costs incurred in connection with the sale. These costs totaled $57 million, and consisted of incentive compensation of $30 million, professional fees of $10 million, and other related costs of $17 million.

OPERATING EXPENSES

	Quarters Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions)	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Salaries and employee benefits	**$ 1,022**	$ 916	12%	**$ 3,144**	$ 2,463	28%
Information systems and communications	**151**	145	4	**470**	398	18
Transaction processing services	**165**	165	—	**499**	435	15
Occupancy	**116**	109	6	**341**	301	13
Merger and integration costs	**30**	141	—	**88**	141	—
Professional services	**85**	66	29	**273**	153	78
Amortization of other intangible assets	**34**	32	6	**100**	59	69
Provision for indemnification obligation	**200**	—	—	**200**	—	—
Other	**122**	115	6	**425**	310	37
Total operating expenses	**$ 1,925**	$ 1,689	14	**$ 5,540**	$ 4,260	30
Number of employees at quarter end	**28,950**	26,425				

Salaries and employee benefits expense increases in the quarterly comparison were mainly the result of increases in staffing levels to support new business, particularly in hedge fund servicing, global markets activities and investment management, as well as higher benefits costs and an increase in contract services, partly offset by reduced incentive compensation. The year-to-date increase resulted primarily from increases in staffing levels to support new business and the contribution of salaries and benefits expenses of the acquired Investors Financial business for the full nine-month 2008 period.

The increase in information systems and communications expense was primarily the result of increased spending for new product development to support growth, and for the year-to-date period, the contribution of expenses of the acquired Investors Financial business. Transaction processing expense for the third quarter of 2008 was virtually unchanged from the third quarter of 2007, and for the first nine months of 2008 increased from the prior year period primarily as a result of higher transaction volumes and contract services spending. The increase in occupancy costs resulted primarily from additional costs to support the growth in our business in Europe.

During the third quarter and first nine months of 2008, in connection with the Investors Financial acquisition, we recorded merger and integration costs totaling $30 million and $88 million, respectively, in our consolidated statement of income. For each of the third quarter and first nine months of 2007, merger and integration costs totaled $141 million. These costs consisted only of direct and incremental costs to integrate the acquired Investors Financial business into our operations, and do not include ongoing expenses of the combined organization. The costs were primarily related to employee retention and system and customer integration.

For the third quarter of 2008, we recorded a $200 million reserve to provide for our estimated net exposure on an indemnification obligation associated with collateralized repurchase agreements with an affiliate of Lehman Brothers Holdings Inc., or Lehman Brothers. In September and October 2008, Lehman Brothers and certain of its affiliates filed for bankruptcy or other insolvency proceedings. While we had no unsecured financial exposure to Lehman Brothers or its affiliates, we indemnified certain customers in connection with these and other collateralized repurchase agreements with Lehman Brothers entities. In the current market environment, the market value of the underlying collateral declined. To the extent these declines resulted in collateral value falling below the indemnification obligation, we recorded a reserve. The amount of the reserve was based on the cost of satisfying the indemnification obligation net of the fair value of the collateral, of which we took possession during the fourth quarter of 2008. We had other customer indemnification obligations under a collateralized repurchase agreement with another Lehman Brothers entity. In these cases, the fair value of the collateral at the time we committed to take possession of it was equal to or greater than the associated indemnification obligation and therefore no related reserve was recorded. We will continue to evaluate these assets and collateral and determine whether to dispose of them or hold them to maturity. The market value of these assets and collateral will continue to fluctuate and ultimately may be greater or less than the value of our indemnification obligations.

Other operating expenses presented in the table above increased as a result of higher levels of spending associated with professional services, primarily legal and consulting costs related to SSgA, as well as an increase in securities processing costs and, for the year-to-date periods, the impact of nine months of expenses of the acquired Investors Financial business for 2008, including amortization of other intangible assets.

Income Tax Expense

We recorded income tax expense of $369 million for the third quarter of 2008, compared to $193 million for the third quarter of 2007. For the first nine months of 2008, income tax expense was $925 million, compared to $559 million for the corresponding 2007 period. The increase in both periods was generally the result of a higher level of pre-tax earnings, but the 2008 periods also included $39 million of income tax expense related to SILO leveraged leases, $3 million of income tax expense related to net interest revenue earned from our participation in the AMLF, and $140 million of income tax expense related to the gain on the sale of our CitiStreet interest, net of an $11 million income tax benefit related to merger and integration costs (which benefit was $30 million for the nine-month period) and an $80 million income tax benefit related to the provision for our estimated net exposure related to an indemnification obligation associated with collateralized repurchase agreements with an affiliate of Lehman Brothers.

The effective tax rate for the third quarter of 2008 was 43.7%, compared to 35.0% for the third quarter of 2007, with the increase the result of the impact of the items described above.

LINE OF BUSINESS INFORMATION

We report two lines of business: Investment Servicing and Investment Management. Given State Street's services and management organization, 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. Additional information about our lines of business is included in note 22 to the consolidated financial statements in our 2007 Form 10-K.

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

The following is a summary of line of business results. The amounts in the "Divestitures" column represent the operating results of our joint venture interest in CitiStreet prior to the sale in July 2008. The amounts presented in the "Other" column for 2008 represent the net interest revenue associated with our participation in the AMLF; the gain on the sale of our joint venture interest in CitiStreet; the provision related to our estimated net exposure for customer indemnification associated with collateralized repurchase agreements; and the merger and integration costs recorded in connection with our acquisition of Investors Financial. The 2007 amount represents the merger and acquisition costs recorded in connection with the acquisition of Investors Financial. The amounts in these columns were not allocated to State Street's business lines.

	For the Quarters Ended September 30,									
	Investment Servicing		Investment Management		Divestitures		Other		Total	
(Dollars in millions, except where otherwise noted)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Fee revenue:										
Servicing fees	**$ 966**	$ 937							**$ 966**	$ 937
Management fees	—	—	**$ 261**	$ 299					**261**	299
Trading services	**363**	320	—	—					**363**	320
Securities finance	**180**	128	**66**	37					**246**	165
Processing fees and other	**51**	69	**12**	8		$ 1			**63**	78
Total fee revenue	**1,560**	1,454	**339**	344		1			**1,899**	1,799
Net interest revenue after provision for loan losses	**503**	427	**14**	31		6	**$ 8**		**525**	464
Gains (Losses) related to investment securities, net	**(3)**	(23)	—	—		—	—		**(3)**	(23)
Gain on sale of CitiStreet interest, net of exit and other associated costs	—	—	—	—		—	**350**		**350**	—
Total revenue	**2,060**	1,858	**353**	375		7	**358**		**2,771**	2,240
Operating expenses	**1,415**	1,292	**278**	254	**$ 2**	2	—		**1,695**	1,548
Customer indemnification obligation	—	—	—	—	—	—	**200**		**200**	—
Merger and integration costs	—	—	—	—	—	—	**30**	$ 141	**30**	141
Total operating expenses	**1,415**	1,292	**278**	254	**2**	2	**230**	141	**1,925**	1,689
Income before income tax expense	**$ 645**	$ 566	**$ 75**	$ 121	**$ (2)**	$ 5	**$ 128**	$ (141)	**$ 846**	$ 551
Pre-tax margin	**31%**	30%	**21%**	33%						
Average assets (in billions)	**$ 146.1**	$ 128.4	**$ 3.1**	$ 3.1	**$ 0.4**	$ 0.5			**$ 149.6**	$ 132.0

	For the Nine Months Ended September 30,									
	Investment Servicing		Investment Management		Divestitures		Other		Total	
(Dollars in millions, except where otherwise noted)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Fee revenue:										
Servicing fees	**$ 2,903**	$ 2,421							**$ 2,903**	$ 2,421
Management fees	—	—	**$ 819**	$ 844					**819**	844
Trading services	**1,049**	800	—	—					**1,049**	800
Securities finance	**667**	323	**234**	102					**901**	425
Processing fees and other	**138**	177	**64**	38	**$ (8)**	$ 1			**194**	216
Total fee revenue	**4,757**	3,721	**1,117**	984	**(8)**	1			**5,866**	4,706
Net interest revenue after provision for loan losses	**1,717**	1,056	**76**	100	**6**	18	**$ 8**		**1,807**	1,174
Gains (Losses) related to investment securities, net	**(3)**	(23)	—	—	—	—	—		**(3)**	(23)
Gain on sale of CitiStreet interest, net of exit and other associated costs	—	—	—	—	—	—	**350**		**350**	—
Total revenue	**6,471**	4,754	**1,193**	1,084	**(2)**	19	**358**		**8,020**	5,857
Operating expenses	**4,345**	3,405	**902**	708	**5**	6	—		**5,252**	4,119
Customer indemnification obligation	—	—	—	—	—	—	**200**		**200**	—
Merger and integration costs	—	—	—	—	—	—	**88**	$ 141	**88**	141
Total operating expenses	**4,345**	3,405	**902**	708	**5**	6	**288**	141	**5,540**	4,260
Income before income tax expense	**$ 2,126**	$ 1,349	**$ 291**	$ 376	**$ (7)**	$ 13	**$ 70**	$ (141)	**$ 2,480**	$ 1,597
Pre-tax margin	**33%**	28%	**24%**	35%						
Average assets (in billions)	**$ 141.5**	$ 114.2	**$ 3.3**	$ 3.0	**$ 0.5**	$ 0.5			**$ 145.3**	$ 117.7

Investment Servicing

Total revenue for the third quarter of 2008 increased 11% compared to the same period in 2007 and 36% in the nine-month comparison. Total fee revenue in the same comparison increased 7% and 28%, respectively, with the increase attributable to growth in servicing fees, trading services revenue and securities finance revenue. In both the quarterly and nine-month comparisons, the growth in servicing fees over the corresponding prior-year period was primarily due to the impact of increases in new business, partly offset by the impact of declines in equity market valuations. The increase in the nine-month comparison also benefited from the contribution of the acquired Investors Financial business for the full 2008 period. The growth in trading services revenue for the quarterly and nine-month comparisons was mainly the result of the impact of increased currency volatility and higher customer volumes in our foreign exchange trading business, as well as increases in electronic trading revenue from the acquired Currenex business. Securities finance revenue increased 41% in the third quarter of 2008 compared to the prior-year quarter and 107% in the nine-month comparison, primarily from the impact of wider average credit spreads, reflective of the impact of market illiquidity and the Federal Reserve Board's aggregate 225 basis point reduction in the federal funds rate during 2008. The increases in both periods were partly offset by a decline in assets on loan in both the U.S. and non-U.S. equities programs.

Servicing fees and trading services revenue for Investment Servicing compose the total consolidated amounts for State Street. Securities finance and processing fees and other revenue for Investment Servicing comprise approximately 75% of these types of revenue for the third quarter of 2008 and 74% for the first nine months of 2008, included in our consolidated results. Refer to the "Consolidated Results of Operations—Fee Revenue" section of this Management's Discussion and Analysis for additional information about the activity in these types of fee revenue.

Net interest revenue for the third quarter of 2008 increased 18% compared to the third quarter of 2007, and 63% for the first nine months of 2008 compared to the corresponding prior-year period. The increase was generally due to wider spreads on fixed-rate investment securities and floating-rate asset-backed investment securities. The nine-month comparison also benefited from the addition of interest-earning assets from the acquired Investors Financial business. Total operating expenses for the third quarter of 2008 increased 10% compared to the prior-year quarter, and for the first nine months of 2008 increased 28% compared to the first nine months of 2007. The increase was primarily attributable to increased salaries and benefits costs due to an increase in staffing levels to support business growth, as well as higher levels of professional services spending. The increase in the nine-month comparison also reflected the contribution of expenses of the acquired Investors Financial business.

Investment Management

Total revenue for the third quarter of 2008 decreased 6% compared to the third quarter of 2007, reflecting a 13% decline in management fees and a 55% decline in net interest revenue. For the nine months ended September 30, 2008, total revenue increased 10% compared to the corresponding prior-year period, due to a 14% increase in fee revenue, partly offset by a 24% decline in net interest revenue. The decrease in fee revenue in the quarterly comparison was mainly attributable to the above-mentioned 13% decrease in management fee revenue, largely offset by a 78% increase in securities finance revenue and a 50% increase in processing fees and other revenue. The increase in the nine-month comparison was driven primarily by a 129% increase in securities finance revenue and a 68% increase in processing fees and other revenue partially offset by decreases in management fees and net interest revenue. Increases in securities finance revenue for both periods were mainly the result of wider credit spreads. The decrease in net interest revenue for both periods was the result of lower average interest rates.

With respect to management fees, generated by SSgA, the decrease in the quarterly comparison resulted primarily from the impact of declines in equity market valuations, lower performance fees and the impact of net lost business. In the nine-month comparison, the impact of declines in equity market valuations and lower performance fees was partially offset by the impact of new business awarded in prior periods. Management fees for Investment Management comprise the total consolidated management fees for State Street. Refer to the "Consolidated Results of Operations—Fee Revenue" section of this Management's Discussion and Analysis for additional information.

For the third quarter of 2008, operating expenses increased 9% from the corresponding period in 2007, and increased 27% in the nine-month comparison. The increases in both the quarterly and nine-month comparisons were primarily attributable to increases in salaries and benefits due to increased staffing levels, increased securities processing expense and higher professional services spending, primarily legal costs.

In connection with our investment management products that rely upon contractual arrangements with wrap providers, subsequent to the end of the third quarter of 2008, we purchased approximately $2.5 billion of asset-backed and mortgage-backed securities from these accounts at current market prices and made an aggregate cash infusion into the accounts of approximately $450 million. As a result of this transaction, we recorded a fourth quarter 2008 charge of approximately $450 million. These actions have improved the market-to-book value ratio and portfolio risk characteristics of these accounts and have maintained the continued availability of the underlying wrap contracts to our customers.

FAIR VALUE MEASUREMENTS

As we discuss more fully in note 11 to the consolidated financial statements included in this Form 10-Q, we adopted the provisions of SFAS No. 157, *Fair Value Measurements*, effective January 1, 2008. The standard does not require the measurement of our financial assets and liabilities at fair value, but provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with GAAP. The standard is intended to increase consistency and comparability in, and disclosures about, fair value measurements, by providing users with better information about the extent to which fair value is used to measure financial assets and liabilities, the inputs used to develop those measurements and the effect of the measurements, if any, on financial condition, results of operations, liquidity and capital.

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. When we measure fair value for our financial assets and liabilities, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability. When possible, we look to active and observable markets to measure the fair value of identical, or similar, financial assets or liabilities. When identical financial assets and liabilities are not traded in active markets, we look to market-observable data for similar assets and liabilities. In some instances, certain assets and liabilities are not actively traded in observable markets, and as a result we use alternative valuation techniques to measure their fair value.

In accordance with the standard, we categorized the financial assets and liabilities that we carry at fair value in our consolidated statement of condition based upon the standard's three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable valuation inputs (level 3). Including the effect of master netting agreements (described in note 11), approximately $84.55 billion, or 30% of our consolidated total assets, were carried at fair value at September 30, 2008, compared to approximately $75.43 billion, or 53%, at December 31, 2007. The decrease in the relative percentage of our consolidated total assets as of September 30, 2008, compared to December 31, 2007, resulted primarily from a significant increase in our consolidated total assets, which increase was mostly due to an increase in customer deposits and the purchase of asset-backed commercial paper under the previously-discussed AMLF during the third quarter of 2008. The largest portion of our assets carried at fair value consisted of investment securities available for sale, of which approximately 90% were categorized in level 2 of the fair value hierarchy, with the remaining 10% categorized in level 3, and derivative instruments, of which approximately 93% (including the effect of master netting agreements) were categorized in level 2, with the remaining 7% categorized in level 3. We did not categorize any of our financial assets or liabilities in level 1 at January 1, 2008, and only an insignificant amount at September 30, 2008.

The fair value of the investment securities categorized in level 2 was measured by management primarily using information obtained from third-party sources. Information obtained from third-party sources is subject to review by management as part of a continuous validation process. Management has developed a process to review fair value estimates provided by third-party sources, including an understanding of underlying assumptions and the level of market participant information used to support those assumptions. In addition, management compares significant assumptions used by third-party sources to available market information. Such information may include known trades or, to the extent that trading activity is limited, comparisons to market research information pertaining to credit expectations, execution prices and the timing of cash flows.

The fair value of the derivatives categorized in level 2 predominantly represented foreign exchange contracts used in our trading activities, for which fair value was measured by management using discounted cash flow techniques with inputs consisting of observable spot and forward points, as well as observable interest rate curves. With respect to derivative instruments, we evaluated the impact on valuation of the credit risk of our counterparties and our own credit. We considered factors such as the likelihood of default by us and our counterparties, our net exposures and remaining maturities in determining the appropriate measurements of fair value. Valuation adjustments associated with these factors were not significant for the first nine months of 2008.

The fair value of our level 3 financial assets at September 30, 2008 was $7.91 billion, or 9% of the total net carrying value of $84.55 billion of our total financial assets carried at fair value, and the fair value of our level 3 financial liabilities was $645 million, or 7% of the total net carrying value of $9.64 billion of our total financial liabilities carried at fair value. The substantial majority of our assets categorized in level 3 were composed of asset-backed securities.

The categorization of asset-backed securities in level 3 as of September 30, 2008 was significantly influenced by current conditions, including reduced levels of liquidity, in the fixed-income securities markets. Little or no market activity for these securities occurred during the third quarter, and as a result of the lack of price transparency, we measured their fair value using unobservable pricing inputs, primarily non-binding quotes received directly from third parties. These quotes were subject to management's review and were determined to be appropriate based on individual facts and circumstances. Generally, we obtain a non-binding quote from a market specialist for each individual security. Given the unique nature of each underlying security structure, it is not practical or useful to obtain multiple quotes for individual securities.

The aggregate fair value of our financial assets and liabilities categorized in level 3 as of September 30, 2008, compared to January 1, 2008, increased approximately 17%. The change resulted primarily from purchases of asset-backed commercial paper and investment securities available for sale, principally asset-backed and sovereign debt securities, partly offset by unrealized losses on available-for-sale securities recorded in other comprehensive income.

The remaining change in fair value of the level 3 category related to the transfer in of asset-backed securities for which fair value could no longer be measured using observable inputs, reflecting further market illiquidity, partly offset by the reclassification of certain classes of mortgage-backed securities and collateralized mortgage obligations to level 2.

FINANCIAL CONDITION

	For the Nine Months Ended September 30,	
	2008	2007
(In millions)	Average Balance	Average Balance
Assets:		
Interest-bearing deposits with banks	**$ 16,978**	$ 5,895
Securities purchased under resale agreements	**11,417**	12,734
Federal funds sold	**3,416**	1,369
Trading account assets	**1,613**	974
Investment securities	**72,374**	69,345
Investment securities purchased under AMLF[(1)]	**1,510**	—
Loans and leases	**11,595**	10,148
Total interest-earning assets	**118,903**	100,465
Cash and due from banks	**5,544**	3,137
Other assets	**20,836**	14,089
Total assets	**$ 145,283**	$ 117,691
Liabilities and shareholders' equity:		
Interest-bearing deposits:		
U.S.	**$ 10,567**	$ 4,808
Non-U.S.	**68,698**	59,486
Total interest-bearing deposits	**79,265**	64,294
Securities sold under repurchase agreements	**14,179**	16,706
Federal funds purchased	**1,055**	2,002
Short-term borrowings under AMLF[(1)]	**1,509**	—
Other short-term borrowings	**5,308**	3,843
Long-term debt	**4,091**	3,327
Total interest-bearing liabilities	**105,407**	90,172
Noninterest-bearing deposits	**15,323**	9,957
Other liabilities	**12,162**	8,817
Shareholders' equity	**12,391**	8,745
Total liabilities and shareholders' equity	**$ 145,283**	$ 117,691

(1) Amounts represent averages of asset-backed commercial paper purchases and related borrowings in connection with participation in the Federal Reserve Bank of Boston's AMLF. Additional information about the AMLF is provided in Note 6 to the consolidated financial statements included in this Form 10-Q.

Overview of Consolidated Statement of Condition

The structure of our consolidated statement of condition, or balance sheet, is primarily driven by the liabilities generated by our core Investment Servicing and Investment Management businesses, while the volume, mix and currency denomination of the balance sheet are determined by both our customers' needs and our operating objectives. As our customers execute their worldwide cash management and investment activities, they use short-term investments and deposits that constitute the majority of our liabilities, generally non-interest-bearing demand deposits; interest-bearing transaction account deposits denominated in a variety of currencies; and repurchase agreements, which generally serve as short-term investment alternatives for our customers.

Deposits and other liabilities generated by customer activities are invested in assets that on an overall basis generally match the liquidity and interest-rate characteristics of the liabilities. As a result, our assets consist primarily of high-quality, marketable securities classified as either available for sale or held to maturity, and short-term money-market instruments, such as inter-bank placements, federal funds sold and securities purchased under resale agreements. The actual mix of assets is determined by the characteristics of the customer liabilities and our desire to maintain a well-diversified portfolio of high-quality assets. We manage our consolidated balance sheet structure using a disciplined process conducted within specific Board of Directors-approved policies for interest-rate risk, credit risk and liquidity.

For the first nine months of 2008, the growth in average total interest-bearing liabilities of $15.24 billion was mainly the result of an increase in interest-bearing deposits, composed of a $9.21 billion increase in non-U.S. deposits and a $5.76 billion increase in U.S. deposits. The increases in interest-bearing deposits were mainly due to the impact of the acquisition of Investors Financial and increased levels of customer activity outside the U.S. Average total interest-earning assets for the first nine months of 2008 increased $18.44 billion from the corresponding period in 2007, reflecting the impact of the increased level of customer liabilities and the acquired Investors Financial business.

Additional information about changes in average balances is provided in the "Consolidated Results of Operations—Net Interest Revenue" section of this Management's Discussion and Analysis.

Investment Securities

The investment securities portfolio of approximately 9,350 securities at September 30, 2008 is diversified with respect to asset class. The majority of the portfolio is concentrated in high-grade asset-backed and mortgage-backed securities. We consider a well-diversified, high-credit quality investment securities portfolio to be an important element in the management of our consolidated balance sheet. The portfolio continues to be concentrated in securities with high credit quality, with approximately 93% of the carrying value of the portfolio rated "AAA" or "AA" at September 30, 2008.

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The carrying values of investment securities were as follows as of period end:

(In millions)	September 30, 2008	December 31, 2007
Available for sale:		
U.S. Treasury and federal agencies:		
Direct obligations	**$ 11,553**	$ 8,181
Mortgage-backed securities	**11,164**	14,585
Asset-backed securities	**25,871**	25,069
Collateralized mortgage obligations	**9,172**	11,892
State and political subdivisions	**5,674**	5,813
Other debt investments	**4,931**	4,041
Money-market mutual funds	**272**	243
Other equity securities	**244**	502
Total	**$ 68,881**	$ 70,326
Held to maturity purchased under AMLF:		
Asset-backed commercial paper	**$ 76,660**	
Held to maturity:		
U.S. Treasury and federal agencies:		
Direct obligations	**$ 501**	$ 757
Mortgage-backed securities	**835**	940
Collateralized mortgage obligations	**2,060**	2,190
Other investments	**549**	346
Total	**$ 3,945**	$ 4,233

The percentages of the carrying value of the investment securities portfolio by external credit rating, excluding securities purchased under the AMLF, were as follows as of period end:

	September 30, 2008	December 31, 2007
AAA[(1)]	**84%**	89%
AA	**9**	6
A	**4**	3
BBB	**2**	1
Non-rated	**1**	1
	100%	100%

(1) Includes U.S. Treasury securities.

The asset-backed portfolio of approximately $25.87 billion consists of approximately 760 securities and is substantially floating-rate. This portfolio consists primarily of student-loan, credit card, foreign mortgage-backed and auto/equipment-loan securities. At September 30, 2008, approximately 96% of the asset-backed portfolio was rated "AAA" or "AA," with 84% rated "AAA." The mortgage-backed portfolio (including collateralized mortgage obligations) of approximately $23.23 billion consists of approximately 2,000 securities and is split between securities of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and large-issuer collateralized mortgage obligations. At September 30, 2008, 98% of the mortgage-backed portfolio was rated "AAA." The aggregate investment portfolio at September 30, 2008 included $5.5 billion collateralized by first-lien sub-prime mortgages, compared to $6.2 billion at December 31, 2007. Of the total of approximately 250 sub-prime securities, which are diversified first-lien mortgage pools, 57% were rated "AAA" and 34% were rated "AA." Credit enhancement on the sub-prime holdings averaged 44.5%. During the third quarter of 2008, 12 such securities totaling approximately $287 million were placed on credit watch, 19 securities totaling approximately $706 million were downgraded, and none defaulted.

The fixed-income securities markets have continued to experience significant disruption and resulting illiquidity since mid-2007. This illiquidity is largely responsible for the significant pre-tax net unrealized loss on our aggregate investment portfolio (excluding securities purchased under the AMLF) of $5.34 billion ($3.28 billion after-tax) at September 30, 2008, compared to $3.31 billion ($2.01 billion after-tax) at June 30, 2008, $3.16 billion ($1.94 billion after-tax) at March 31, 2008 and $1.11 billion ($684 million after-tax) at December 31, 2007. Of the aggregate after-tax net unrealized loss of $3.28 billion at September 30, 2008, $2.09 billion related to asset-backed securities, of which approximately $801 million was associated with securities collateralized by sub-prime mortgages and approximately $653 million was associated with securities collateralized by student loans. In addition, approximately $937 million of the aggregate after-tax net unrealized loss of $3.28 billion related to mortgage-backed securities.

With respect to the aggregate investment portfolio, during the third quarter of 2008, 789 securities totaling $2.38 billion were placed on credit watch and 51 securities totaling $1.37 billion were downgraded. No securities had defaulted as of quarter-end. Monoline insurance coverage is provided, principally for our municipal bond portfolio, that covers approximately 4,200 securities totaling $1.95 billion as of September 30, 2008, which is included in the state and political subdivisions category in the previous table. Without the insurance coverage, or "wrap," approximately 92% of our aggregate investment portfolio would still have been rated "AAA" or "AA" as of September 30, 2008. We evaluate securities for purchase based on an independent assessment of their underlying credit quality, not the underlying monoline insurance support.

Management regularly reviews the investment securities portfolio to determine whether they expect any loss of principal or interest in light of current market and economic conditions and their expectations, and to determine if other-than-temporary impairment has occurred. This review includes such quantitative factors as current and expected future interest rates, the length of time the security's cost basis has exceeded its fair value and the severity of the impairment measured as the ratio of fair value to amortized cost, and the level and quality of collateral and the extent of subordination, as well as issuer-specific concerns regardless of quantitative factors. Where applicable, the review considers management expectations related to housing prices, expected borrower defaults and the security's overall capital structure. Extensive analysis was performed during the first nine months of 2008 in order to confirm that the declines in fair value did not reflect any instances where we believed we would not receive full principal and interest on individual securities. This analysis included detailed credit analysis at the portfolio, asset class, and individual security level. Analysis was also performed to support managements' assertion that they have the ability to hold these securities until recovery in market value.

As of September 30, 2008, after a full review of all investment securities, management identified four investment securities in the portfolio that were other-than-temporarily impaired. As a result, we recorded a write-down of $29 million during the third quarter. Year-to-date 2008 impairment write-downs of investment securities totaled $44 million. Taking into account the impairment write-downs for the first nine months of 2008, management considers the aggregate decline in fair value and the resulting pre-tax net unrealized loss of $5.34 billion ($3.28 billion after-tax) as of September 30, 2008 to be temporary and not the result of any material changes in the credit characteristics of the underlying investments in the portfolio. In addition, management has both the ability and the intent to hold the securities until recovery in market value.

The evaluation of declines in fair value and the determination of other-than-temporary impairment involve significant judgment and are based on a number of factors, including those described above. Given the continued disruption in the financial markets and the resulting illiquidity, as well as the severity and duration of the decline in fair values of securities and uncertainty with respect to the credit quality and performance of underlying collateral, the investment securities portfolio may incur additional other-than-temporary impairment in future periods.

Management intends to continue managing our investment securities portfolio to align with the interest-rate and duration characteristics of our customer liabilities and in the context of our overall balance sheet structure, which is maintained within internally-approved risk limits, and in consideration of the global interest-rate environment. Even with material increases in unrealized losses on investment securities, we may not experience material changes in our interest-rate risk profile, or experience a material impact on our net interest revenue.

Capital

The management of regulatory and economic capital utilizes key metrics evaluated by management to maintain an actual level of capital commensurate with our risk profile, in compliance with all regulatory requirements, and sufficient to provide us with the financial flexibility to undertake future strategic business initiatives.

Regulatory Capital

Our objective with respect to the management of regulatory capital is to maintain a strong capital base in order to provide financial flexibility for our business needs, including funding corporate growth and supporting customers' cash management needs, and to provide protection against loss to depositors and creditors. We strive to maintain an optimal level of capital, commensurate with our risk profile, on which an attractive return to shareholders will be realized over both the short and long term, while protecting our obligations to depositors and creditors and satisfying regulatory requirements. You can obtain additional information about our capital management process in the Financial Condition section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K.

On October 14, 2008, the U.S. Department of the Treasury announced its capital purchase program designed to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. On October 28, 2008, we issued 20,000 shares of our Series B fixed-rate cumulative perpetual preferred stock, $100,000 liquidation preference per share, and a warrant to purchase 5,576,208 shares of our common stock at an exercise price of $53.80 per share, to Treasury, and received total aggregate proceeds of $2 billion.

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

The preferred shares, which qualify as tier 1 regulatory capital, will pay cumulative quarterly dividends at a rate of 5% per year for the first five years, and 9% per year thereafter. We can redeem the preferred shares at par after December 15, 2011. Prior to this date, we can only redeem the preferred shares at par in an amount up to the cash proceeds (minimum $500 million) from qualifying equity offerings of any tier 1-eligible perpetual preferred or common stock. Any redemption is subject to the consent of the Board of Governors of the Federal Reserve System. Until October 28, 2011, or such earlier time as the preferred stock has been redeemed or transferred by Treasury, we will not, without Treasury's consent, be permitted to increase the dividend per share on our common stock or repurchase our common stock.

The warrant is immediately exercisable, and has a 10-year term. The exercise price of $53.80 per share and the number of shares subject to the warrant are both subject to anti-dilution adjustments. If we receive aggregate gross cash proceeds of at least $2 billion from one or more qualifying equity offerings of tier 1-eligible perpetual preferred or common stock on or prior to December 31, 2009, the number of shares of common stock underlying the warrant then held by Treasury will be reduced by one-half of the original number of shares, considering all adjustments, underlying the warrant.

At September 30, 2008, State Street and State Street Bank met all capital adequacy requirements to which they were subject. Regulatory capital amounts and ratios at September 30, 2008, and December 31, 2007 are presented in the table below. The information with respect to State Street does not reflect the impact of the issuance of preferred shares and the warrant to purchase shares of our common stock in connection with our participation in the above-described capital purchase program, since these issuances were completed in October 2008.

	Regulatory Guidelines(1)		State Street		State Street Bank	
(Dollars in millions)	**Minimum**	**Well Capitalized**	**2008(2)**	**2007**	**2008(2)**	**2007**
Tier 1 risk-based capital ratio	4%	6%	**16.0%**	11.2%	**12.7%**	11.2%
Total risk-based capital ratio	8	10	**17.2**	12.7	**14.1**	12.7
Tier 1 leverage ratio	4	5	**8.4**	5.3	**6.7**	5.5
Tier 1 risk-based capital			**$ 11,968**	$ 7,131	**$ 9,132**	$ 6,915
Total risk-based capital			**12,900**	8,071	**10,161**	7,878
Adjusted risk-weighted assets and market-risk equivalents:						
Balance sheet risk-weighted assets			**$ 51,116**	$ 42,968	**$ 48,039**	$ 41,283
Off-balance sheet equivalent risk-weighted assets			**23,595**	20,248	**23,596**	20,254
Market-risk equivalents			**322**	321	**297**	317
Total			**$ 75,033**	$ 63,537	**$ 71,932**	$ 61,854
Quarterly average adjusted assets			**$ 143,166**	$ 135,686	**$ 135,858**	$ 126,746

(1) State Street Bank must meet the regulatory designation of "well capitalized" in order to maintain the parent company's status as a financial holding company, including a minimum tier 1 risk-based capital ratio of 6%, a minimum total risk-based capital ratio of 10% and a tier 1 leverage ratio of 5%. In addition, State Street must meet Federal Reserve guidelines for "well capitalized" for a bank holding company to be eligible for a streamlined review process for acquisition proposals. These guidelines require a minimum tier 1 risk-based capital ratio of 6% and a minimum total risk-based capital ratio of 10%.

(2) Tier 1 and total risk-based capital and tier 1 leverage ratios, as well as balance sheet risk-weighted assets and quarterly average adjusted assets, exclude the impact of the asset-backed commercial paper purchased from eligible unaffiliated money market mutual funds under the Federal Reserve Bank of Boston's AMLF, as permitted under the AMLF's terms and conditions.

At September 30, 2008, State Street's and State Street Bank's tier 1 and total risk-based capital and tier 1 leverage ratios increased compared to year-end 2007. The increases in tier 1 and total capital that resulted primarily from the June 2008 public offering of our common stock and, in the case of State Street, the issuance of capital-eligible debt securities, as well as earnings for the first nine months of 2008, were partly offset by an increase in total risk-weighted assets. The parent company contributed $750 million of the net proceeds from the public common stock offering to State Street Bank to enhance its capital. The increase in total risk-weighted assets resulted from balance sheet growth and higher levels of off-balance sheet equivalent risk-weighted assets, principally from foreign exchange derivative instruments. Both ratios for State Street and State Street Bank exceeded the regulatory minimum and well-capitalized thresholds.

On June 3, 2008, we completed a public offering of approximately 40.5 million shares of our common stock. The public offering price was $70 per share, and aggregate proceeds from the offering, net of underwriting commissions and related offering costs, totaled approximately $2.75 billion. Underwriting commissions totaled approximately $85 million. Of the total shares issued, approximately 7.4 million shares were issued out of treasury stock, and the remaining 33.1 million shares were newly issued. We executed the offering pursuant to our current universal shelf registration statement filed with the SEC.

In 2004, the Committee on Banking Supervision released the final version of its capital adequacy framework, commonly referred to as Basel II. In 2006, the four U.S. banking regulatory agencies jointly issued their second draft of implementation rules, with industry comment provided by the end of March 2007, and final rules were released in December 2007, with a stated effective date of April 1, 2008. State Street has established a comprehensive program to implement these regulatory requirements within prescribed timeframes. We anticipate adopting the most advanced approaches for assessing capital adequacy.

In March 2007, our Board of Directors authorized the purchase of up to 15 million shares of common stock for general corporate purposes, including mitigating the dilutive impact of shares issued under employee benefit plans. Under this authorization, in January 2008, we purchased 552,000 shares of our common stock in connection with the settlement of a $1 billion accelerated share repurchase program that concluded on January 18, 2008. No additional shares were purchased during the first nine months of 2008 under this authorization, and as of September 30, 2008, approximately 13.2 million shares remained available for future purchase under the Board's authorization. We generally employ third-party broker-dealers to acquire shares on the open market in connection with Board-authorized purchases of our common stock.

The terms of the capital purchase program described previously in this section prohibit us from purchasing any shares of our common stock, other than in connection with employee benefit plans, or from increasing the per share dividend on our common stock, without Treasury's consent, until the earlier to occur of the redemption of all shares of senior preferred stock issued to Treasury under the program, the transfer by Treasury of all such shares or the date three years after the issuance of such shares.

Economic Capital

We define economic capital as the common equity required to protect holders of our debt against unexpected economic losses over a one-year period at a level consistent with the solvency of a firm with our target "AA" debt rating. Our Capital Committee is responsible for overseeing our economic capital process. The framework and methodologies used to quantify economic capital for each of the risk types described below have been developed by our Enterprise Risk Management, Global Treasury and Corporate Finance groups and are designed to be generally consistent with our risk management principles. This framework has been approved by senior management and the Executive Committee of the Board of Directors. Due to the evolving nature of quantification techniques, we expect to periodically refine the methodologies, assumptions, and data used to estimate our economic capital requirements, which could result in a different amount of capital needed to support our business activities.

We quantify capital requirements for the risks inherent in our business activities and group them into one of the following broadly defined categories:

- Market risk: the risk of adverse financial impact due to fluctuations in market prices, primarily as they relate to our trading activities;
- Interest-rate risk: the risk of loss in non-trading asset and liability management positions, primarily the impact of adverse movements in interest rates on the repricing mismatches that exist between balance sheet assets and liabilities;
- Credit risk: the risk of loss that may result from the default or downgrade of a borrower or counterparty;
- Operational risk: the risk of loss from inadequate or failed internal processes, people and systems, or from external events, which is consistent with the Basel II definition; and
- Business risk: the risk of adverse changes in our earnings from business factors, including changes in the competitive environment, changes in the operational economics of our business activities, and the effect of strategic and reputation risks.

Economic capital for each of these five categories is estimated on a stand-alone basis using statistical modeling techniques applied to internally generated and, in some cases, external data. These individual results are then aggregated at the State Street consolidated level. A capital reduction or diversification benefit is then applied to reflect the unlikely event of experiencing an extremely large loss in each risk type at the same time.

Liquidity

The objective of liquidity management is to ensure that we have the ability to meet our financial obligations in a timely and cost-effective manner, and that we maintain sufficient flexibility to fund strategic corporate initiatives as they arise. Effective management of liquidity involves assessing the potential mismatch between the future cash needs of our customers and our available sources of cash under normal and adverse economic and business conditions. Uses of liquidity consist primarily of meeting deposit withdrawals and funding outstanding commitments to extend credit as they are drawn upon. Liquidity is provided by the maintenance of broad access to the global capital markets and by our balance sheet asset structure. You can obtain additional information about our liquidity management process in the Financial Condition section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K.

Material risks to sources of short-term liquidity could include, among other things, adverse changes in the perception in the financial markets of our financial condition or liquidity needs, and downgrades by external rating agencies of our deposits and debt securities, which would restrict our ability to access the capital markets and may lead to withdrawals of unsecured deposits by our customers. In addition, a large volume of unanticipated funding requirements, such as fundings under liquidity asset purchase agreements that have met draw conditions, or large draw-downs of existing lines of credit, could require additional liquidity.

In April 2008, Fitch Ratings placed State Street and State Street Bank on "Rating Watch Negative." This was an adverse ratings action from their previous "Negative Outlook," but was not a downgrade of any State Street or State Street Bank credit ratings, which ratings remained unchanged. In June 2008, Fitch reverted back to the previous "Negative Outlook" for State Street and State Street Bank following the public common stock offering discussed in the "Capital" section of this Management's Discussion and Analysis.

In managing our liquidity, we have issued term wholesale certificates of deposit and invested those funds in short-term money market assets where they would be available to meet cash needs. This portfolio stood at $3.71 billion at September 30, 2008, compared to $4.57 billion at December 31, 2007. In conjunction with our management of liquidity where we seek to maintain access to sources of back-up liquidity at reasonable costs, we have participated in the Federal Reserve's term auction facility, which is a secured lending program available to financial institutions that was established in December 2007. During the first nine months of 2008, our borrowings under this facility were as high as $1.5 billion, and no borrowings outstanding under this facility existed at September 30, 2008. Certificate of deposit and term auction facility balances were allowed to decline as overall structural liquidity was strengthened. Increases in customer deposits and the net proceeds from the June 2008 public common stock offering improved our liquidity position and lessened the need for contingency funding. We did not experience any net deterioration in our customer deposit base during the first nine months of 2008.

While maintenance of our high investment-grade credit rating is of primary importance to our liquidity management program, on-balance sheet liquid assets represent significant liquidity that we can directly control, and provide a source of cash in the form of principal maturities and the ability to borrow from the capital markets using our securities as collateral. Our liquid assets consist primarily of cash balances at central banks in excess of regulatory requirements and short-term liquid assets, such as federal funds sold and interest-bearing deposits with banks, the latter of which are multicurrency instruments invested with major multinational banks; and high-quality, marketable investment securities not already pledged, which generally are more liquid than other types of assets and can be sold or borrowed against to generate cash quickly. As of September 30, 2008, the cash value of our liquid assets, as defined, totaled $110.57 billion, compared to $55.14 billion as of December 31, 2007. The increase was mainly the result of a large increase in customer deposits in September 2008 as the credit markets worsened. As customers accumulated cash positions, they placed cash with us. Due to the unusual size and volatile nature of these incremental deposits, we chose to maintain $53.82 billion at central banks as of September 30, 2008, in excess of regulatory required minimums. Securities carried at $47.28 billion as of September 30, 2008, compared to $39.84 billion as of December 31, 2007, were designated as pledged for public and trust deposits, borrowed funds and for other purposes as provided by law, and are excluded from the liquid assets calculation. Liquid assets and pledged securities described above excluded securities purchased under the Federal Reserve Bank of Boston's AMLF. Included in liquid assets are securities that have been pledged to the Federal Reserve Bank of Boston in order to secure our ability to borrow from the discount window should the need arise. This access to primary credit borrowing is an important source of back-up liquidity for State Street Bank. As of September 30, 2008, we had no outstanding primary credit borrowings from the discount window.

Based upon our level of liquid assets and our ability to access the capital markets for additional funding when necessary, including our ability to issue debt and equity securities under our current universal shelf registration, management considers overall liquidity at September 30, 2008 to be more than sufficient to meet State Street's current commitments and business needs, including accommodating the transaction and cash management needs of our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

In January 2008, State Street Capital Trust III, a Delaware statutory trust wholly owned by the parent company, issued $500 million in aggregate liquidation amount of 8.250% fixed-to-floating rate normal automatic preferred enhanced capital securities, referred to as "normal APEX," and used the proceeds to purchase a like amount of remarketable 6.001% junior subordinated debentures due 2042 from the parent company. In addition, the trust entered into stock purchase contracts with the parent company under which the trust agrees to purchase, and the parent company agrees to sell, on the stock purchase date, a like amount in aggregate liquidation amount of the parent company's non-cumulative perpetual preferred stock, series A, $100,000 liquidation preference per share. State Street will make contract payments to the trust at an annual rate of 2.249% of the stated amount of $100,000 per stock purchase contract. The normal APEX are beneficial interests in the trust. The trust will pass through, as distributions on or the redemption price of normal APEX, amounts that it receives on its assets that are the corresponding assets for the normal APEX. The corresponding assets for each normal APEX, $1,000 liquidation amount, initially are $1,000 principal amount of the 6.001% junior subordinated debentures and a 1/100th, or a $1,000, interest in a stock purchase contract for the purchase and sale of one share of the Series A preferred stock for $100,000. The stock purchase date is expected to be March 15, 2011, but it may occur on an earlier date or as late as March 15, 2012. From and after the stock purchase date, the corresponding asset for each normal APEX will be a 1/100th, or a $1,000, interest in one share of the Series A preferred stock. In accordance with existing accounting standards, we did not record the trust in our consolidated financial statements. The 6.001% junior debentures qualify for inclusion in tier 1 regulatory capital.

We maintain an effective universal shelf registration that allows for the offering and sale of debt securities, capital securities, common stock, depositary shares and preferred stock, and warrants to purchase such securities, including any shares into which the preferred stock and depositary shares may be convertible, or any combination thereof. We have, as discussed previously, issued in the past, and we may issue in the future, securities pursuant to the shelf registration. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors.

We currently maintain a commercial paper program, under which we can issue up to $3 billion with original maturities of up to 270 days from the date of issue. At September 30, 2008, we had $1.34 billion of commercial paper outstanding, compared to $2.36 billion at December 31, 2007.

State Street Bank currently has authority to issue bank notes up to an aggregate of $750 million with original maturities ranging from 14 days to five years. At September 30, 2008, no notes payable were outstanding and all $750 million was available for issuance. In addition, State Street Bank currently has authority to issue up to an aggregate of $1 billion of subordinated bank notes.

State Street Bank currently maintains a line of credit with a financial institution of CAD $800 million, or approximately USD $755 million as of September 30, 2008, to support its Canadian securities processing operations. The line of credit has no stated termination date and is cancelable by either party with prior notice. As of September 30, 2008, no balance was outstanding on this line of credit.

Risk Management

A comprehensive and well-integrated risk management function linked to our business strategy and to our capital is essential to the financial and operational success of our global business activities. Ineffective identification and mitigation of the risks we incur in executing on our business strategy can result in current losses to State Street as well as erosion of our capital and damage to our reputation.

In order to appropriately identify, assess and manage our risks, we have a disciplined approach to risk management across State Street. The Board of Directors approves our risk and capital management policies and provides extensive review and oversight of our overall risk management programs which identify, measure, monitor and control risk exposures. The execution of duties in the management of people, products, business operations and processes is the responsibility of business unit managers. The function of risk management is responsible for designing, orchestrating and directing the implementation of comprehensive risk management programs consistent with corporate and regulatory standards. The risk management function also provides an integrated view of risk through consolidated reporting. Accordingly, risk management is a shared responsibility among Enterprise Risk Management and the business lines and requires joint efforts in goal setting, program design and implementation, resource management, and performance evaluation between business and functional units.

While we believe that our risk management program is effective in managing the risks in our businesses, both internal and external factors may create risks that cannot always be identified or anticipated. For example, a significant counterparty failure or a default of a significant obligor could have a material adverse effect on our consolidated results of operations. Additional information about our process for managing market risk for both our trading and asset and liability management activities, as well as credit risk, operational risk and business risk, can be found in the Financial Condition section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K.

Market Risk

Market risk is defined as the risk of adverse financial impact due to fluctuations in interest rates, foreign exchange rates and other market-driven factors and prices. State Street is exposed to market risk in both its trading and asset and liability management activities. The market risk management processes related to these activities, discussed in further detail below, apply to both on-balance sheet and off-balance sheet exposures.

Trading Activities

We primarily engage in trading and investment activities to serve our customers' needs and to contribute to overall corporate earnings and liquidity. In the conduct of these activities, we are subject to, and assume, market risk. The level of market risk that we assume is a function of our overall objectives and liquidity needs, customer requirements and market volatility. Interest-rate risk, a component of market risk, is more thoroughly discussed in the "Asset and Liability Management" portion of this "Market Risk" section.

Market risk associated with foreign exchange and other trading activities is managed through corporate guidelines, including established limits on aggregate and net open positions, sensitivity to changes in interest rates, and concentrations, which are supplemented by stop-loss thresholds. We use an array of risk management tools and methodologies, including value-at-risk, to measure, monitor and manage market risk. All limits and measurement techniques are reviewed and adjusted as necessary on a regular basis by business managers, the market risk management group and the Trading and Market Risk Committee.

We use a variety of derivative financial instruments to support customers' needs, conduct trading activities and manage our interest-rate and currency risk. These activities are designed to create trading revenue and to hedge potential earnings volatility. In addition, we provide services related to derivatives in our role as both a manager and a servicer of financial assets.

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

Our customers use derivatives to manage the financial risks associated with their investment goals and business activities. With the growth of cross-border investing, customers have an increasing need for foreign exchange forward contracts to convert currency for international investment and to manage the currency risk in their international investment portfolios. As an active participant in the foreign exchange markets, we provide foreign exchange forward contracts and options in support of these customer needs.

As part of our trading activities, we assume positions in the foreign exchange and interest-rate markets by buying and selling cash instruments and using derivatives, including foreign exchange forward contracts, foreign exchange and interest-rate options and interest-rate swaps. As of September 30, 2008, the aggregate notional amount of these derivatives was $915.59 billion, of which $841.01 billion were foreign exchange forward, swap and spot contracts. In the aggregate, long and short foreign exchange forward positions are closely matched to minimize currency and interest-rate risk. All foreign exchange contracts are valued daily at current market rates. Additional information about trading derivatives is in note 12 to the consolidated financial statements included in this Form 10-Q.

We use a variety of risk measurement and estimation techniques, including value-at-risk, which is an estimate of potential loss for a given period within a stated statistical confidence interval. We use a risk measurement system to estimate value-at-risk daily. We have adopted standards for estimating value-at-risk, and we maintain capital for market risk in accordance with applicable regulatory guidelines. Value-at-risk is estimated for a 99% one-tail confidence interval and an assumed one-day holding period using a historical observation period of greater than two years. A 99% one-tail confidence interval implies that daily trading losses should not exceed the estimated value-at-risk more than 1% of the time, or approximately three days out of the year. The methodology uses a simulation approach based on historically observed changes in foreign exchange rates, interest rates (domestic and foreign) and foreign exchange implied volatilities, and takes into account the resulting diversification benefits provided from the mix of our trading positions.

Like all quantitative risk measures, value-at-risk is subject to limitations and assumptions inherent in our methodology. Our methodology gives equal weight to all market-rate observations regardless of how recently the market rates were observed. The estimate is calculated using static portfolios consisting of trading positions held at the end of each business day. Therefore, implicit in the value-at-risk estimate is the assumption that no intraday actions are taken by management during adverse market movements. As a result, the methodology does not include risk associated with intraday changes in positions or intraday price volatility.

The following table presents value-at-risk with respect to our trading activities, as measured by our value-at-risk methodology for the periods indicated:

	Nine Months Ended September 30,					
VALUE-AT-RISK	**2008**			**2007**		
(In millions)	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Foreign exchange products	**$ 2.0**	**$ 4.4**	**$ 0.6**	$ 1.8	$ 4.0	$ 0.7
Interest-rate products	**1.1**	**2.4**	**0.6**	1.6	3.7	0.1

We back-test the estimated one-day value-at-risk on a daily basis. This information is reviewed and used to confirm that all relevant trading positions are properly modeled. For the nine months ended September 30, 2008 and 2007, we did not experience any trading losses in excess of our end-of-day value-at-risk estimate.

Asset and Liability Management Activities

The primary objective of asset and liability management is to provide sustainable net interest revenue, or NIR, under varying economic environments, while protecting the economic values of our balance sheet assets and liabilities from the effects of adverse changes in interest rates. Most of our NIR is earned from the investment of deposits generated by our core Investment Servicing and Investment Management businesses. We structure the assets on our balance sheet to generally conform to the characteristics of our balance sheet liabilities, but we manage our overall interest-rate risk position in the context of current and anticipated market conditions and within internally-approved risk guidelines.

Our investment activities and our use of derivatives are the primary tools used in managing interest-rate risk. We invest in financial instruments with currency, repricing, and maturity characteristics which we consider appropriate to manage our overall interest-rate risk position. We use certain derivatives, primarily interest-rate swaps, to alter the interest-rate characteristics of specific balance sheet assets or liabilities. The use of derivatives is subject to internally-approved guidelines. Additional information about our use of derivatives is in note 12 to the consolidated financial statements included in this Form 10-Q.

As a result of growth in our non-U.S. operations, customer liabilities denominated in non-U.S. dollars are a significant portion of our consolidated balance sheet. This growth results in exposure to changes in the shape and level of non-U.S. dollar yield curves, which we include in our consolidated interest-rate risk management process.

To measure, monitor, and report on our interest-rate risk position, we use (1) NIR simulation, or NIR-at-risk, which measures the impact on NIR over the next twelve months of immediate, or rate shock, and gradual, or rate ramp, changes in market interest rates; and (2) economic value of equity, or EVE, which measures the impact on the present value of all NIR-related principal and interest cash flows of an immediate change in interest rates. NIR-at-risk is designed to measure the potential impact of changes in market interest rates on net interest revenue in the short term. EVE, on the other hand, is a long-term view of interest-rate risk, but with a view toward liquidation of State Street's existing assets and liabilities under current market conditions. Both of these measures are subject to internally-established guidelines, and are monitored regularly, along with other relevant simulations, scenario analyses and stress tests.

The following table presents the estimated exposure of NIR for the next twelve months, calculated as of September 30, 2008 and December 31, 2007, due to a ± 100-basis-point rate shock, and a ± 100-basis-point rate ramp, in then-current interest rates. Estimated incremental exposures set forth below are dependent on management's assumptions about asset and liability sensitivities under various interest-rate scenarios, such as those previously discussed, and do not reflect any actions management may undertake in order to mitigate some of the adverse effects of interest-rate changes on State Street's financial performance.

NIR-AT-RISK (In millions)	**Estimated Exposure to Net Interest Revenue**	
Rate Change	**September 30, 2008**	**December 31, 2007**
+100 bps shock	**$ 26**	$ (98)
-100 bps shock	**(96)**	7
+100 bps ramp	**(3)**	(44)
-100 bps ramp	**(11)**	20

The following table presents estimated EVE exposures, calculated as of September 30, 2008 and December 31, 2007, assuming an immediate and prolonged shift in interest rates, the impact of which would be spread over a number of years.

ECONOMIC VALUE OF EQUITY	Estimated Exposure to Economic Value of Equity	
(In millions) Rate Change	September 30, 2008	December 31, 2007
+200 bps shock	**$ (933)**	$ (1,195)
-200 bps shock	**344**	48

The EVE results presented above indicate exposure to rising interest rates for both periods, although the magnitude of the exposure as of September 30, 2008 declined in comparison to December 31, 2007. The incremental decrease in EVE exposure to upward shifts in interest rates is attributable to runoff and sales of fixed-rate investment securities and the issuance of both equity and fixed-rate debt during the first half of 2008, offset in part by slower mortgage-related prepayments in the third quarter of 2008.

The liability-sensitive structure of the balance sheet responsible for EVE exposure to rising interest rates was also reflected in the NIR-at-risk exposure to rising rates as of December 31, 2007. In the first nine months of 2008, however, actions taken to increase the level of on-balance sheet, low-yielding liquid assets resulted in NIR-at-risk exposure becoming asset-sensitive. Prepayments from mortgage-backed securities are assumed to be higher in the downward 100-basis-point shock scenario relative to other interest rate scenarios. The re-investment of prepayments into lower-yielding liquid assets in this scenario more than offsets the benefit from reduced funding costs. As a result, NIR-at-risk exposure is greatest in the downward 100-basis-point shock scenario as of September 30, 2008.

Other important factors that impact the levels of NIR are balance sheet size and mix; interest-rate spreads; the slope and interest-rate level of U.S. dollar and non-U.S. dollar yield curves and the relationship between them; the pace of change in market interest rates; and management actions taken in response to the preceding conditions.

Credit Risk

Credit and counterparty risk is defined as the risk of financial loss if a borrower or counterparty is either unable or unwilling to repay borrowings or settle a transaction in accordance with contractual terms. We assume credit and counterparty risk on both our on-balance sheet and off-balance sheet exposures. The extension of credit and the acceptance of counterparty risk by State Street are governed by corporate guidelines based on the prospective customer's risk profile, the markets served, counterparty and country concentrations, and regulatory compliance. Our focus on large institutional investors and their businesses requires that we assume concentrated credit risk in a variety of forms to certain highly-rated entities. This concentration risk is mitigated by comprehensive guidelines and procedures to monitor and manage all aspects of credit and counterparty risk that we undertake. Counterparties and exposures are evaluated on an individual basis at least annually. Processes for credit approval and monitoring are in place for all credit extensions. As part of the approval and renewal process, appropriate due diligence is conducted based on the size and term of the exposure, as well as the quality of the counterparty.

We provide, on a limited basis, traditional loan products and services to key customers and prospects in a manner that enhances customer relationships, increases profitability and minimizes risk. We employ a relationship model in which credit decisions are based upon credit quality and the overall institutional relationship. This model is typical of financial institutions that provide credit to institutional customers in the markets that we serve.

At September 30, 2008, total gross loans and leases were $17.45 billion compared to $15.80 billion at December 31, 2007, primarily reflecting an increase in the volume of daily overdrafts, which generally result from advances for securities settlement related to customer investment activities. Overdrafts included in total gross loans were $12.40 billion and $11.65 billion at September 30, 2008 and December 31, 2007, respectively. Average overdrafts were approximately $7.77 billion for the third quarter of 2008, and $8.11 billion for the third quarter of 2007. These balances do not represent a significant increase in credit risk because of their short-term nature, which is generally overnight, as well as the lack of significant concentration and their occurrence in the normal course of the securities settlement process. An allowance for loan losses is maintained to absorb probable credit losses in the loan portfolio and is reviewed regularly by management for adequacy. The allowance for loan losses was $18 million at September 30, 2008, December 31, 2007 and September 30, 2007.

We purchase securities under agreements to resell. Risk is managed through a variety of processes, including establishing the acceptability of counterparties; limiting purchases largely to low-risk U.S. government securities; taking possession or control of transaction assets; monitoring levels of underlying collateral; and limiting the duration of the agreements. Securities are revalued daily to determine if we believe that additional collateral is necessary from the borrower. Most repurchase agreements are short-term, with maturities of less than 90 days.

We also provide customers with off-balance sheet liquidity and credit enhancement facilities in the form of letters of credit, lines of credit and liquidity asset purchase agreements. These exposures are subject to an initial credit analysis, with detailed approval and review processes. These facilities are also actively monitored and reviewed on an annual basis. We maintain a separate reserve for probable credit losses related to certain of these off-balance sheet activities. Management reviews the adequacy of this reserve on a regular basis.

Investments in debt and equity securities, including investments in affiliates, are monitored regularly by Corporate Finance and Enterprise Risk Management. To the extent necessary, procedures are in place for evaluating potentially impaired securities, as discussed in notes 1 and 3 to the consolidated financial statements included in our 2007 Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we utilize two types of special purpose entities, referred to as SPEs, which are not recorded in our consolidated financial statements. Information about the activities of these SPEs, which are used in connection with our involvement with managed investment vehicles and our asset-backed commercial paper programs, is in notes 10 and 11 to the consolidated financial statements included in our 2007 Form 10-K and in note 9 to the consolidated financial statements included in this Form 10-Q. Additional information about the commercial paper programs is provided below.

The risks associated with providing administration, liquidity, and/or credit enhancements to SPEs are reviewed as part of our corporate risk management process in a manner that is consistent with applicable policies and guidelines. Management believes that State Street has sufficient liquidity plans in place to cover foreseeable risks associated with these activities.

Asset-Backed Commercial Paper Programs

We administer four third-party-owned, special-purpose, multi-seller asset-backed commercial paper programs, commonly referred to as conduits, the first of which was established in 1992. These conduits, which are structured as bankruptcy-remote entities and are not recorded in our consolidated financial statements under existing accounting standards, are designed to satisfy the investment demand of our institutional customers, particularly mutual fund customers, for commercial paper.

Total assets in the four unconsolidated State Street-administered conduits were approximately $25.50 billion at September 30, 2008, compared to $28.76 billion at December 31, 2007, with the decrease generally the result of asset amortization and the impact of foreign currency translation. The conduits obtain funding through the issuance of commercial paper and hold diversified portfolios of investments, which are predominately composed of securities purchased in the capital markets. These investments are principally collateralized by mortgages, student loans, automobile and equipment loans and credit card receivables. Conduit assets are not sourced from our consolidated balance sheet.

The following tables provide additional information with respect to the composition of the conduits' asset portfolios, in the aggregate, as of September 30, 2008. As of this date, none of the conduits' holdings were composed of sub-prime securities. Approximately $2.7 billion, or 11% of the conduits' assets, were wrapped by monoline insurers. The weighted-average maturity of the aggregate conduit assets was approximately four years.

CONDUIT ASSETS BY COLLATERAL TYPE

(Dollars in billions)	Amount	Percent of Total Conduit Assets
Australian residential mortgage-backed securities	$ 3.6	14%
European residential mortgage-backed securities	4.0	16
U.S. residential mortgage-backed securities	3.6	14
United Kingdom residential mortgage-backed securities	1.8	7
Student loans	3.0	12
Auto and equipment loans	3.0	12
Credit cards	2.0	8
Other[1]	4.5	17
Total conduit assets	$ 25.5	100%

(1) "Other" included trade receivables, collateralized loan obligations, business/commercial loans, collateralized debt obligations, municipal obligations and trust preferred securities. No individual asset class represented more than 2% of total conduit assets, except for trade receivables, which were 3%, and collateralized loan obligations, which were 4%, of aggregate conduit assets.

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CONDUIT ASSETS BY CREDIT RATING

(Dollars in billions)	Amount	Percent of Total Conduit Assets
AAA/Aaa	$ 13.7	53%
AA/Aa	4.3	17
A/A	2.5	10
BBB/Baa	1.8	7
BB/Ba	0.2	1
B/B	0.1	1
Not rated[(2)]	2.9	11
Total conduit assets	$ 25.5	100%

(2) These assets reflect structured transactions. While not rated, the transactions have been reviewed by independent credit rating agencies and have been structured to maintain the conduits' P1 or similar rating.

CONDUIT ASSETS BY ASSET ORIGIN

(Dollars in billions)	Amount	Percent of Total Conduit Assets
U.S.	$ 11.2	44%
Australia	5.0	20
Great Britain	2.3	9
Spain	1.8	7
Italy	1.7	6
Portugal	0.6	2
Germany	0.7	3
Netherlands	0.4	2
Greece	0.3	1
Belgium	0.3	1
France	0.2	1
Ireland	0.2	1
Other	0.8	3
Total conduit assets	$ 25.5	100%

Currently, our accounting for the conduits' activities is governed by FASB Interpretation No. 46(R), or FIN 46(R), and our conclusion that we are not required to consolidate some or all of the conduits' assets and liabilities into our consolidated financial statements is based on our application of the provisions of FIN 46(R). Expected losses form the basis for our application of these provisions. Expected losses, as defined by FIN 46(R), are not economic losses. Instead, expected losses are estimated using a financial model that compares projected possible cash flows, which are probability-weighted, with expected cash flows for the risks the entity was designed to create and distribute; they represent the variability in potential cash flows of the entity's designated risks. We believe that credit risk is the predominant risk that is designed to be created and distributed by these entities. Each conduit also has a modest amount of basis risk. Basis risk arises when commercial paper funding costs move at a different rate than the comparable floating-rate asset benchmark rates (generally LIBOR). Basis risk is mitigated through the use of derivative financial instruments, principally basis swaps, which remove this variability from each conduit. Accordingly, basis risk is not a significant assumption in the financial model.

Any credit losses of the conduits would be absorbed by (1) investors in the subordinated debt, commonly referred to as first-loss notes, issued by the conduits; (2) State Street, pursuant to our contractual obligations; and (3) the holders of the conduits' commercial paper. The investors in the first-loss notes, which are independent third parties, would absorb the first dollar of any credit loss on the conduits' assets. If credit losses exceeded the amount of first-loss notes, we would absorb credit losses through credit facilities provided to the conduits, which facilities are discussed later in this section. The commercial paper holders would absorb credit losses after the first-loss notes and State Street's credit facilities have been exhausted. We have developed a financial model to estimate and allocate each conduit's expected losses.

In order to estimate expected losses as required by FIN 46(R), we estimate possible defaults of the conduits' assets and allocate the expected losses to the conduits' variable interest holders based on the order in which actual losses would be absorbed, as described above. The financial model estimates expected losses based on hundreds of thousands of probability-weighted loss scenarios. These simulations incorporate published rating-agency data to estimate expected losses due to credit risk. Primary assumptions incorporated into the financial model relative to credit risk variability, such as default probabilities and loss severities, are directly linked to the conduit's underlying assets. These default probabilities and loss severity assumptions vary by asset class and ratings of individual conduit assets. Accordingly, the model's estimation of expected losses is significantly affected by the credit ratings and asset mix of each conduit's assets. These statistics are reviewed by management regularly and more formally on an annual basis. If downgrades occur and/or asset mix changes significantly, or if defaults occur on the conduits' underlying assets, we may conclude that the current level of first-loss notes is insufficient to absorb a majority of the conduits' expected losses.

We perform stress tests and sensitivity analyses, with respect to each conduit, in order to model potential scenarios that could cause the amount of first-loss notes to be insufficient to absorb the majority of the conduits' expected losses. As part of these analyses, we have identified certain conduit assets that could be more susceptible to credit downgrade because of their underlying credit characteristics. Our scenario testing specifically addresses asset classes that have experienced significant price erosion and/or have little observed market activity. Examples of scenarios that are designed to measure the sensitivity of the sufficiency of the first-loss notes include assuming a downgrade of all assets which have underlying monoline insurance support, and assuming a downgrade concerning certain other conduit securities for which our analysis of the timing and amount of expected cash flows for selected security default expectations does not re-affirm the security's current external credit rating. These simulations do not include a scenario whereby all positions are simultaneously downgraded, the possibility of which we consider remote. In addition, a scenario could arise where one or more defaults could be so severe that the associated losses would exhaust a conduit's total first-loss notes currently outstanding.

Since the conduits were first organized, we have entered into contractual obligations, usually in the form of liquidity asset purchase agreements, to provide most or all of the conduits' liquidity, by agreeing to purchase assets from the conduits at their book value upon the occurrence of certain events. Other institutions can and do provide contractual liquidity to the conduits, primarily through liquidity asset purchase agreements. As required by these agreements, we and the other institutions provide back-up liquidity in the event that the conduits cannot meet their funding needs through the issuance of commercial paper. In the event that maturing commercial paper cannot be reissued into the market by the conduits' dealer group, we and the other institutions providing liquidity may be required to purchase portfolio assets from the conduits. State Street may also provide liquidity by purchasing commercial paper or providing other extensions of credit to the conduits. In addition, we may be required to purchase assets from the conduits in connection with certain events related to those assets. As of September 30, 2008, our commitments under these liquidity asset purchase agreements and back-up lines of credit totaled $25.22 billion.

Pursuant to the contractual terms of our liquidity asset purchase agreement with the conduits, we were required to purchase $850 million of conduit assets during the first quarter of this year. The purchase was the result of various factors, including the continued illiquidity in the commercial paper markets. The securities were purchased at prices determined in accordance with existing contractual terms in the liquidity asset purchase agreement, and which exceeded their fair value. Accordingly, during the first quarter of 2008, the securities were written down to fair value through a $12 million reduction of processing fees and other revenue in our consolidated statement of income. The securities are carried at fair value in securities available for sale in our consolidated statement of condition. None of our liquidity asset purchase agreements with the conduits were drawn upon during the second or third quarters of 2008.

We also provide additional support to the conduits in the form of standby letters of credit. These standby letters of credit serve as back-up liquidity to the liquidity asset purchase agreements, as well as credit enhancement. As of September 30, 2008, our commitments under these standby letters of credit totaled $1.02 billion. None of these standby letters of credit were drawn upon during the first nine months of 2008.

The conduits generally sell commercial paper to third-party investors; however, we sometimes purchase commercial paper from the conduits. As of September 30, 2008, we held on our consolidated balance sheet an aggregate of approximately $7.82 billion of commercial paper issued by the conduits (including $1.63 billion purchased under the Federal Reserve Bank of Boston's AMLF), compared to $212 million as of June 30, 2008, $292 million as of March 31, 2008, $2 million as of December 31, 2007 and $730 million as of September 30, 2007. For the third quarter of 2008, the highest total overnight position in the conduits' commercial paper held by State Street was approximately $9.22 billion ($8.21 billion excluding purchases under the AMLF), and the average total overnight position for the same period was approximately $2.09 billion ($1.99 billion excluding purchases under the AMLF), or 7.7% of the conduits' aggregate average commercial paper outstanding for the third quarter of 2008. Excluding AMLF-related purchases, the commercial paper we hold is purchased at current market prices, and is carried at fair value in trading account assets in our consolidated statement of condition. Holdings have been higher than the levels of commercial paper we have historically held, which is reflective of the continued illiquidity in the asset-backed commercial paper markets, particularly during the third quarter, and our desire to provide short-term stability to the conduits' funding costs.

Investors continue to be concerned about the credit quality of the underlying assets generally held in asset-backed commercial paper conduits and similar vehicles across the industry. As a result, the ongoing illiquidity in the global fixed-income securities markets continues to make the funding of the State Street-administered conduits more challenging than in normal market conditions, and the yields that issuers have to pay on asset-backed commercial paper continue to exceed historical norms. Commercial paper is generally being placed by the State Street-administered conduits with higher investor yields than historically experienced, which we believe is consistent with the experience of other market participants. The increase in yields has compressed the spread between the rate earned on the conduits' assets and the conduits' funding costs. The weighted-average maturity of the conduits' commercial paper was approximately 15 days as of September 30, 2008, compared to approximately 20 days as of June 30, 2008, 16 days as of March 31, 2008, 20 days as of December 31, 2007 and 15 days as of September 30, 2007.

We intend to continue to manage the liquidity of the programs, if and as necessary, through purchases of commercial paper; however, if due to further deterioration in the liquidity of the fixed-income securities markets or otherwise, purchasing additional assets from the conduits pursuant to the contractual terms of the underlying liquidity asset purchase agreement becomes necessary, we anticipate that we could fund those additional purchases.

For the third quarter and first nine months of 2008, the fee revenue generated from our involvement with the conduits was approximately $6 million and $30 million, respectively, compared to $11 million and $50 million for the comparable periods in 2007. We earn fees from our role as administrator, liquidity, or credit enhancement provider and as one of the dealers, the fees for which activities are priced on a market basis. These fees are recorded in processing fees and other revenue in our consolidated statement of income. Our overall conduit business activities generated a pre-tax gain, which included the fee revenue described above, of approximately $10 million for the third quarter of 2008 and $7 million for the first nine months of this year, compared to a pre-tax gain of $8 million for the third quarter of 2007 and $40 million for the first nine months of 2007. The year-to-date decrease in profitability compared to 2007 resulted primarily from the change in fair value of the basis swaps used to mitigate the conduits' basis risk and the above-described decline in fee revenue.

As described above, we provide the conduits with contractual liquidity, usually in the form of liquidity asset purchase agreements. If a conduit experienced a problem with an asset, the conduits could, subject to certain conditions, invoke the liquidity asset purchase agreement, requiring State Street to purchase the asset from the conduit at a price that may exceed the fair value of the asset. If this purchase were to occur, we would recognize a loss upon purchase of the asset. Any loss from a credit default would first be offset by the level of funding provided by the first-loss note holders. Currently, in light of the continued illiquidity in the markets, we expect that an asset purchase would result in a write-down, which may be recovered in future periods, depending on State Street's actions after the asset is purchased and on market conditions at that time.

It is also possible, under existing accounting standards, that we would be required to consolidate one or more of the conduits' assets and liabilities onto our consolidated balance sheet. This consolidation would occur if we were determined to be the primary beneficiary of the conduits as defined in FIN 46(R). For example, if market developments or downgrades in credit ratings of conduit assets required us to modify our expected loss assumptions, or if one or more conduit assets defaulted, we could be required to increase the amount of first-loss notes in order for the investors in the first-loss notes to continue to be considered the primary beneficiaries of the conduits. If the conduits were not able to issue additional first-loss notes or take other actions, we could be determined to be the primary beneficiary of the conduits, and we would be required to consolidate the conduits' assets and liabilities onto our consolidated balance sheet. Accounting standards related to off-balance sheet vehicles are being reconsidered by the FASB, and industry-wide revisions are under discussion that could require us to consolidate all of the conduits we administer into our consolidated financial statements on January 1, 2010.

During the first half of 2008, certain of the conduits issued an aggregate of $35 million of incremental subordinated debt, or first-loss notes, to third parties to provide additional first-loss protection in light of the continued disruption and resulting volatility in the markets. The subordinated debt was issued subject to consistent underlying terms. First-loss notes outstanding at September 30, 2008 for the conduits in the aggregate totaled $67 million, compared to $32 million at December 31, 2007. The additional first-loss notes were issued during 2008 even though the results of our expected loss analysis supported our conclusion that the then outstanding first-loss notes were sufficient with respect to our determination that we were not the primary beneficiary of the conduits, and that consolidation of the conduits was not required.

We performed our expected loss analysis as of September 30, 2008, and determined that our model assumptions continued to be appropriate and were reflective of market participant assumptions. Accordingly, management concluded as of September 30, 2008 that consolidation of the conduits was not required. We review the accounting treatment of each of the conduits at least quarterly, and more frequently if specific events warrant.

Two significant factors continue to impact the conduits. First, the conduits' cost of financing has increased significantly over the past year, reflecting the impact of broad market concern surrounding off-balance sheet arrangements, specifically collateralized debt obligations, asset-backed conduits and special investment vehicles. During this period, these financing costs have continued to be above historical norms. Second, the conduits' assets have continued to experience price erosion, since the vast majority of assets are asset- and mortgage-backed securities. Our expected loss analysis is sensitive to credit ratings and default probabilities of underlying conduit assets. The aggregate pre-tax unrealized loss on the conduits' assets has increased from $850 million at December 31, 2007 to $2.71 billion at June 30, 2008, to $3.56 billion at September 30, 2008. During the third quarter of 2008, 21 conduit securities were downgraded and 94 securities were placed on credit watch, out of a total of approximately 720 securities held by the conduits. The actions related to downgrades and placement on credit watch have substantially resulted from credit rating downgrades of the monoline insurers that support certain of the conduits' securities. Both the increase in the conduits' cost of financing and the price erosion in the conduits' assets are factors that have been contemplated in the most recent expected loss analysis. In addition, none of the conduits' assets defaulted during the first nine months of 2008.

If consolidation were to occur because we determined that we were the primary beneficiary of the conduits as defined in FIN 46(R), we would consolidate the conduits' assets and liabilities onto our consolidated balance sheet at fair value. We expect that we would recognize an extraordinary loss on the date of consolidation if the fair value of the conduits' liabilities exceeded the fair value of the conduits' assets, as they do currently. This loss would be recovered back into income over the remaining lives of the assets, assuming that the assets were held to maturity and that we recovered the full principal amount of the securities.

Purchasing or consolidating all or a significant portion of the assets of the conduits would affect the size and composition of our consolidated balance sheet and alter our financial and regulatory capital ratios, and may affect our earnings. Under existing accounting standards, and in light of our continued ability to manage the liquidity of the commercial paper as described above, we do not currently anticipate that this action will become necessary. However, for illustrative purposes only, assuming estimated fair values of the conduits' assets as of September 30, 2008, if all of the conduits' assets were purchased pursuant to the liquidity asset purchase agreements, or if the conduits' assets and liabilities were consolidated onto our consolidated balance sheet, we estimate that we would recognize a pre-tax loss of approximately $3.56 billion (approximately $2.14 billion after-tax) in our consolidated statement of income.

This estimate assumes that all of the conduits, with total assets of approximately $25.50 billion as of September 30, 2008, are consolidated on that date; that the assets of the conduits are recorded at fair value, which is based on State Street's consistent application of its pricing policies for conduit assets; and that the pre-tax loss is tax-effected at a 40% marginal income tax rate. If this consolidation were to occur in the future, or we were required to purchase assets pursuant to the liquidity asset purchase agreements at prices in excess of the fair value of the assets, the ultimate amount of loss will be based upon market conditions at the date such a determination is made, which could differ from the estimate provided above. As described above, if the assets were consolidated for accounting purposes pursuant to FIN 46(R), we expect that this loss would be recorded as an extraordinary loss, after income from continuing operations. If we were to purchase the assets pursuant to the liquidity asset purchase agreements, to the extent that a loss was incurred, we would recognize the loss in continuing operations.

We consider the activities of the conduits in our management of liquidity. We expect that we would be able to access multiple sources of liquidity to fund additional required asset purchases, including sales of other assets, asset repurchase agreements, the issuance of corporate commercial paper, the issuance of bank certificates of deposit and time deposits, and accessing the Federal Reserve discount window or similar facilities in other

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (Continued)

jurisdictions in which we maintain significant banking operations. The consolidation of the conduits for accounting purposes alone would not require additional funding or liquidity for the conduits to fund their asset portfolios. However, if the reasons for consolidation related to an inability of the conduits to issue commercial paper, the conduits would require additional liquidity.

If we were required to consolidate the conduits' assets and liabilities, our regulatory capital ratios would be negatively impacted for a period of time. With respect to regulatory capital, the consolidation of the conduits' assets and liabilities would cause a reduction of our tier 1 and total risk-based capital ratios. The impact of consolidation on our tier 1 leverage ratio would be more significant, but the degree of impact would depend on how and when consolidation occurred, since this ratio is a function of our consolidated total average assets over an entire quarter.

For illustrative purposes, assuming estimated fair values of the conduits' assets as of September 30, 2008, priced as described above, if all of the conduits' assets and liabilities were consolidated onto our consolidated balance sheet on September 30, 2008, the following table presents the estimated impact on State Street's and State Street Bank's regulatory capital ratios as of that date.

	State Street		State Street Bank	
	Reported as of September 30, 2008	Adjusted for Conduit Consolidation as of September 30, 2008	Reported as of September 30, 2008	Adjusted for Conduit Consolidation as of September 30, 2008
Tier 1 leverage ratio	**8.4%**	**6.9%**	**6.7%**	**5.1%**
Tier 1 risk-based capital ratio	**16.0**	**13.1**	**12.7**	**9.7**
Total risk-based capital ratio	**17.2**	**14.3**	**14.1**	**11.2**

RECENT ACCOUNTING DEVELOPMENTS

Information related to recent accounting developments is in note 1 to the consolidated financial statements included in this Form 10-Q.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included in the "Risk Management—Market Risk" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

CONTROLS AND PROCEDURES

State Street has established and maintains disclosure controls and procedures that are designed to ensure that material information relating to State Street and its subsidiaries on a consolidated basis required to be disclosed in its reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to State Street management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. For the quarter ended September 30, 2008, State Street's management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of State Street's disclosure controls and procedures. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that State Street's disclosure controls and procedures were effective as of September 30, 2008.

CONTROLS AND PROCEDURES (Continued)

State Street has also established and maintains internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. In the ordinary course of business, State Street routinely enhances its internal control over financial reporting by either upgrading its current systems or implementing new systems. Changes have been made and will be made to State Street's internal control over financial reporting as a result of these efforts. During the quarter ended September 30, 2008, there was no change in State Street's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, State Street's internal control over financial reporting.

STATE STREET CORPORATION

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

(Dollars in millions, except per share amounts)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Fee revenue:				
Servicing fees	**$ 966**	$ 937	**$ 2,903**	$ 2,421
Management fees	**261**	299	**819**	844
Trading services	**363**	320	**1,049**	800
Securities finance	**246**	165	**901**	425
Processing fees and other	**63**	78	**194**	216
Total fee revenue	**1,899**	1,799	**5,866**	4,706
Net interest revenue:				
Interest revenue	**1,027**	1,383	**3,452**	3,758
Interest expense	**502**	919	**1,645**	2,584
Net interest revenue	**525**	464	**1,807**	1,174
Provision for loan losses	**—**	—	**—**	—
Net interest revenue after provision for loan losses	**525**	464	**1,807**	1,174
Gains (Losses) related to investment securities, net	**(3)**	(23)	**(3)**	(23)
Gain on sale of CitiStreet interest, net of exit and other associated costs	**350**	—	**350**	—
Total revenue	**2,771**	2,240	**8,020**	5,857
Operating expenses:				
Salaries and employee benefits	**1,022**	916	**3,144**	2,463
Information systems and communications	**151**	145	**470**	398
Transaction processing services	**165**	165	**499**	435
Occupancy	**116**	109	**341**	301
Merger and integration costs	**30**	141	**88**	141
Professional services	**85**	66	**273**	153
Amortization of other intangible assets	**34**	32	**100**	59
Other	**322**	115	**625**	310
Total operating expenses	**1,925**	1,689	**5,540**	4,260
Income before income tax expense	**846**	551	**2,480**	1,597
Income tax expense	**369**	193	**925**	559
Net income	**$ 477**	$ 358	**$ 1,555**	$ 1,038
Earnings per share:				
Basic	**$ 1.11**	$ .92	**$ 3.82**	$ 2.95
Diluted	**1.09**	.91	**3.78**	2.91
Average shares outstanding (in thousands):				
Basic	**430,872**	386,843	**407,186**	352,410
Diluted	**435,030**	392,150	**411,204**	356,695
Cash dividends declared per share	**$ .24**	$ .22	**$ .71**	$ .65

The accompanying condensed notes are an integral part of these consolidated financial statements.

STATE STREET CORPORATION

CONSOLIDATED STATEMENT OF CONDITION

(Dollars in millions, except per share amounts)	September 30, 2008 (Unaudited)	December 31, 2007 (Note 1)
Assets:		
Cash and due from banks	**$ 58,263**	$ 4,733
Interest-bearing deposits with banks	**18,430**	5,579
Securities purchased under resale agreements	**9,598**	19,133
Federal funds sold	**1,500**	4,540
Trading account assets	**6,332**	589
Investment securities available for sale	**68,881**	70,326
Investment securities held to maturity purchased under money market liquidity facility (fair value of $76,616)	**76,660**	—
Investment securities held to maturity (fair value of $3,802 and $4,225)	**3,945**	4,233
Loans and leases (net of allowance of $18)	**17,430**	15,784
Premises and equipment	**1,987**	1,894
Accrued income receivable	**1,915**	2,096
Goodwill	**4,516**	4,567
Other intangible assets	**1,890**	1,990
Other assets	**14,217**	7,079
Total assets	**$ 285,564**	$ 142,543
Liabilities:		
Deposits:		
Noninterest-bearing	**$ 70,033**	$ 15,039
Interest-bearing—U.S.	**9,988**	14,790
Interest-bearing—Non-U.S.	**70,848**	65,960
Total deposits	**150,869**	95,789
Securities sold under repurchase agreements	**17,274**	14,646
Federal funds purchased	**1,984**	425
Short-term borrowings under money market liquidity facility	**76,627**	—
Other short-term borrowings	**4,289**	5,557
Accrued taxes and other expenses	**2,443**	4,392
Other liabilities	**14,908**	6,799
Long-term debt	**4,106**	3,636
Total liabilities	**272,500**	131,244
Commitments and contingencies (note 8)		
Shareholders' Equity:		
Preferred stock, no par: authorized 3,500,000 shares; issued none		
Common stock, $1 par: authorized 750,000,000 shares, issued 431,950,903 and 398,366,326 shares	**432**	398
Surplus	**6,793**	4,630
Retained earnings	**9,002**	7,745
Accumulated other comprehensive loss	**(3,146)**	(575)
Treasury stock, at cost (404,943 and 12,081,863 shares)	**(17)**	(899)
Total shareholders' equity	**13,064**	11,299
Total liabilities and shareholders' equity	**$ 285,564**	$ 142,543

The accompanying condensed notes are an integral part of these consolidated financial statements.

STATE STREET CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Dollars in millions, except per share amounts, shares in thousands)	Common Stock					Treasury Stock		
	Shares	Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Shares	Amount	Total
Balance at December 31, 2006	337,126	$ 337	$ 399	$ 7,030	$ (224)	4,688	$ (290)	$ 7,252
Adjustment for effect of applying provisions of FASB Staff Position No. FAS 13-2				(226)				(226)
Adjusted balance at January 1, 2007	337,126	337	399	6,804	(224)	4,688	(290)	7,026
Comprehensive income:								
Net income				1,038				1,038
Change in net unrealized loss on available-for-sale securities, net of related taxes of $(164) and reclassification adjustment					(247)			(247)
Foreign currency translation, net of related taxes of $45					111			111
Change in net unrealized loss on cash flow hedges, net of related taxes of $(1)					(1)			(1)
Change in net unrealized loss on hedges of net investments in non-U.S. subsidiaries, net of related taxes $(3)					(6)			(6)
Change in minimum pension liability, net of related taxes					(2)			(2)
Total comprehensive income				1,038	(145)			893
Cash dividends declared ($.65 per share)				(232)				(232)
Common stock acquired						13,369	(1,002)	(1,002)
Common stock awards and options exercised, including tax benefit of $38	401	—	39			(4,500)	289	328
Common stock issued in connection with acquisition	60,843	61	4,166					4,227
Other			12			19	(2)	10
Balance at September 30, 2007	398,370	$ 398	$ 4,616	$ 7,610	$ (369)	13,576	$ (1,005)	$ 11,250
Balance at December 31, 2007	398,366	$ 398	$ 4,630	$ 7,745	$ (575)	12,082	$ (899)	$ 11,299
Comprehensive income:								
Net income				**1,555**				**1,555**
Change in net unrealized loss on available-for-sale securities, net of related taxes of $(1,580) and reclassification adjustment					**(2,516)**			**(2,516)**
Change in net unrealized loss on fair value hedges of available-for-sale securities, net of related taxes of $36					**55**			**55**
Foreign currency translation, net of related taxes of $(53)					**(108)**			**(108)**
Change in net unrealized loss on cash flow hedges, net of related taxes of $(1)					**(3)**			**(3)**
Change in net unrealized loss on hedges of net investments in non-U.S. subsidiaries, net of related taxes					**1**			**1**
Total comprehensive income				**1,555**	**(2,571)**			**(1,016)**
Cash dividends declared ($.71 per share)				**(298)**				**(298)**
Common stock acquired						**552**		
Common stock issued	**33,156**	**34**	**2,181**			**(7,391)**	**538**	**2,753**
Contract payments to State Street Capital Trust III			**(36)**					**(36)**
Common stock awards and options exercised, including tax benefit of $52	**429**		**18**			**(4,838)**	**344**	**362**
Balance at September 30, 2008	**431,951**	**$ 432**	**$ 6,793**	**$ 9,002**	**$ (3,146)**	**405**	**$ (17)**	**$ 13,064**

The accompanying condensed notes are an integral part of these consolidated financial statements.

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STATE STREET CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(In millions)	Nine Months Ended September 30, 2008	2007
Operating Activities:		
Net income	**$ 1,555**	$ 1,038
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Non-cash adjustments for depreciation, amortization, and deferred income tax expense	**463**	360
Gains (Losses) related to investment securities, net	**3**	23
Change in trading account assets, net	**(6,206)**	(520)
Other, net	**738**	(124)
Net cash provided by (used in) operating activities	**(3,447)**	777
Investing Activities:		
Net increase in interest-bearing deposits with banks	**(12,851)**	(1,318)
Net decrease in securities purchased under resale agreements and federal funds sold	**12,575**	2,115
Proceeds from sales of available-for-sale securities	**5,152**	4,207
Proceeds from maturities of available-for-sale securities	**20,125**	16,521
Purchases of available-for-sale securities	**(27,773)**	(24,073)
Purchases under money market liquidity facility, net	**(76,707)**	—
Proceeds from maturities of held-to-maturity securities	**1,178**	636
Purchases of held-to-maturity securities	**(890)**	(378)
Net increase in loans	**(1,785)**	(1,742)
Business acquisitions, net of cash acquired	**38**	(643)
Purchases of equity investments and other long-term assets	**(175)**	(146)
Proceeds from sale of equity investment	**464**	—
Purchases of premises and equipment	**(398)**	(347)
Other, net	**254**	69
Net cash used in investing activities	**(80,793)**	(5,099)
Financing Activities:		
Net increase (decrease) in time deposits	**52,032**	(9,152)
Net increase in all other deposits	**3,043**	25,141
Net increase in short-term borrowings under money market liquidity facility, net	**76,719**	—
Net increase (decrease) in other short-term borrowings	**2,919**	(9,291)
Proceeds from issuance of long-term debt, net of issuance costs	**493**	1,488
Payments for long-term debt and obligations under capital leases	**(39)**	(528)
Proceeds from public offering of common stock, net of issuance costs	**2,251**	—
Proceeds from issuances of common stock for exercises of common stock options	**11**	—
Proceeds from issuances of treasury stock	**623**	124
Purchase of common stock	**—**	(1,002)
Payments for cash dividends	**(282)**	(216)
Net cash provided by financing activities	**137,770**	6,564
Net increase	**53,530**	2,242
Cash and due from banks at beginning of period	**4,733**	2,368
Cash and due from banks at end of period	**$ 58,263**	$ 4,610

Non-cash investing and financing activities for the nine months ended September 30, 2008 and 2007 were composed of commitments for construction costs of $32 million and $150 million, respectively, recorded in premises and equipment and other liabilities, in connection with a new foreign office lease agreement.

The accompanying condensed notes are an integral part of these consolidated financial statements.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accounting and financial reporting policies of State Street Corporation conform to accounting principles generally accepted in the United States of America, referred to as GAAP. Unless otherwise indicated or unless the context requires otherwise, all references in these condensed notes to consolidated financial statements to "State Street," "we," "us," "our" or similar references mean State Street Corporation and its subsidiaries on a consolidated basis. The parent company is a financial holding company headquartered in Boston, Massachusetts. We report two lines of business:

- Investment Servicing provides services for U.S. mutual funds and collective investment funds, corporate and public retirement plans, insurance companies, foundations, endowments and other investment pools worldwide. Products include 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; loans and lease financing; investment manager and hedge fund manager operations outsourcing; and performance, risk and compliance analytics to support institutional investors.

- Investment Management offers a broad array of services for managing financial assets, including investment management and investment research services, primarily for institutional investors worldwide. These services include passive and active U.S. and non-U.S. equity and fixed-income strategies and other related services, such as securities finance.

The consolidated financial statements accompanying these condensed notes are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the consolidated results of operations in these financial statements, have been made. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and these condensed notes. Actual results could differ from those estimates. Consolidated results of operations for the three and nine months ended September 30, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. Certain previously reported amounts have been reclassified to conform to current period classifications as presented in this Form 10-Q.

The consolidated statement of condition at December 31, 2007, has been derived from the audited financial statements at that date, but does not include all footnotes required by GAAP for a complete set of financial statements. The accompanying consolidated financial statements and these condensed notes should be read in conjunction with the financial and risk factors information included in our 2007 Form 10-K, and in conjunction with the risk factors discussion included in our Current Report on Form 8-K dated October 15, 2008, which we previously filed with the SEC.

Recent Accounting Developments

On October 10, 2008, the FASB issued FSP FAS 157-3, *Determining Fair Value in a Market That Is Not Active*, on an expedited basis to help entities measure fair value in markets that are not active. The FSP, which was effective upon issuance, is consistent with the joint press release issued by the FASB and the SEC on September 30, 2008, which provided general clarification of guidance on determining fair value pursuant to SFAS No. 157 when markets are inactive. The FSP reiterates current accounting standards that require our

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 1. Summary of Significant Accounting Policies (Continued)

investment securities portfolio to be recorded at fair value in our consolidated statement of condition. Fair value continues to be defined as the price at which a transaction would occur between willing market participants on the measurement date. Consistent with the FSP, we continue to assess the amount and quality of market information that supports our estimate of the fair value of the investment securities in our portfolio. Given current market illiquidity, we will continue to assess our portfolio valuations to determine the most appropriate method for estimating the fair value of our portfolio.

In September 2008, the FASB issued, for comment, revisions to SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125*, and FASB Interpretation No. 46, as revised, *Consolidation of Variable Interest Entities*, referred to as FIN 46(R). The proposed revisions include the removal of the scope exception from FIN 46(R) for qualified special purpose entities, or QSPEs; a revision of the current risks and rewards-based FIN 46(R) consolidation model to a qualitative model based on control; and a requirement that consolidation of variable interest entities, or VIEs, be reevaluated on an ongoing basis. Although the proposed revisions have not yet been finalized, these changes may have a significant impact on our consolidated financial statements, as we may be required to consolidate VIEs that are not currently consolidated based on our analysis using the consolidation model in FIN 46(R). The proposed revisions would be effective beginning January 1, 2010.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. The new standard identifies the sources of accounting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP, and refers to these sources as the GAAP hierarchy. The new standard is effective 60 days following the SEC’s approval of amendments to existing auditing standards by the Public Company Accounting Oversight Board. We currently prepare our consolidated financial statements in conformity with the GAAP hierarchy as presented in the new standard, and do not expect its adoption to have a material impact on our consolidated financial condition or results of operations.

In April 2008, the FASB issued FASB Staff Position FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP removes the requirement of SFAS No. 142, *Goodwill and Other Intangible Assets*, that an entity consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions associated with the intangible asset. Instead, the FSP replaces the above-described useful life assessment criteria with a requirement that an entity consider its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. The FSP is effective beginning January 1, 2009, including interim periods. We are currently evaluating the potential impact of adoption of the FSP.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The new standard requires specific disclosures with respect to the classification and amounts of derivative financial instruments in a company’s financial statements; the accounting treatment for derivative instruments and related hedged items; and the impact of derivative instruments and related hedged items on a company’s financial position, financial performance and cash flows. The provisions of this new standard are effective beginning January 1, 2009, and early application is permitted. Because the new standard impacts our disclosure and not our accounting treatment for derivative instruments and related hedged items, our adoption of the standard will not affect our consolidated financial condition or results of operations.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 2. Divestitures

On July 1, 2008, we completed the sale of our 50% joint venture interest in CitiStreet, a benefits servicing business that provides retirement plan recordkeeping and administrative services and at that date had approximately $220 billion in assets under administration on behalf of corporate and government entities, employee unions and other customers. The premium received in connection with the sale was $407 million, and we recorded a resulting pre-tax gain of $350 million in our consolidated statement of income during the third quarter of 2008, net of exit and other associated costs incurred in connection with the sale. These costs totaled $57 million, and consisted of incentive compensation of $30 million, professional fees of $10 million, and other related costs of $17 million.

Note 3. Investment Securities

The table set forth below presents the components of investment securities as of the dates indicated. Additional information with respect to the investment securities purchased under the Federal Reserve Bank of Boston's Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, or AMLF, is provided in Note 6.

	September 30, 2008				December 31, 2007			
	Amortized	Unrealized		Fair	Amortized	Unrealized		Fair
(In millions)	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value
Available for sale:								
U.S. Treasury and federal agencies:								
Direct obligations	**$ 11,539**	**$ 19**	**$ 5**	**$ 11,553**	$ 8,163	$ 32	$ 14	$ 8,181
Mortgage-backed securities	**11,220**	**56**	**112**	**11,164**	14,631	54	100	14,585
Subtotal	**22,759**	**75**	**117**	**22,717**	22,794	86	114	22,766
Asset-backed securities	**29,275**	**4**	**3,408**	**25,871**	26,100	2	1,033	25,069
Collateralized mortgage obligations	**10,489**	**—**	**1,317**	**9,172**	12,018	41	167	11,892
State and political subdivisions	**6,030**	**20**	**376**	**5,674**	5,756	79	22	5,813
Other debt investments	**5,018**	**16**	**103**	**4,931**	4,041	27	27	4,041
Money-market mutual funds	**272**	**—**	**—**	**272**	243	—	—	243
Other equity securities	**239**	**11**	**6**	**244**	479	24	1	502
Total	**$ 74,082**	**$ 126**	**$ 5,327**	**$ 68,881**	$ 71,431	$ 259	$ 1,364	$ 70,326
Held to maturity purchased under AMLF:								
Asset-backed commercial paper[1]	**$ 76,660**	**$ 1**	**$ 45**	**$ 76,616**				
Held to maturity:								
U.S. Treasury and federal agencies:								
Direct obligations	**$ 501**	**$ 9**		**$ 510**	$ 757	$ 9	$ 1	$ 765
Mortgage-backed securities	**835**	**7**	**$ 3**	**839**	940	7	6	941
Subtotal	**1,336**	**16**	**3**	**1,349**	1,697	16	7	1,706
Collateralized mortgage obligations	**2,060**	**—**	**156**	**1,904**	2,190	5	24	2,171
Other investments	**549**	**1**	**1**	**549**	346	2	—	348
Total	**$ 3,945**	**$ 17**	**$ 160**	**$ 3,802**	$ 4,233	$ 23	$ 31	$ 4,225

(1) See note 6 for a description of the accounting for asset-backed commercial paper purchased under the AMLF.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 3. Investment Securities (Continued)

Aggregate investment securities carried at $47.28 billion and $39.84 billion at September 30, 2008 and December 31, 2007, respectively, were designated as pledged for public and trust deposits, short-term borrowings and for other purposes as required by law. The amount at September 30, 2008 excluded investment securities pledged to the Federal Reserve Bank of Boston under the AMLF.

Gains and losses related to investment securities were as follows for the periods indicated:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Gross gains from sales of available-for-sale securities	**$ 29**	$ 5	**$ 67**	$ 10
Gross losses from sales of available-for-sale securities	**(3)**	(11)	**(26)**	(16)
Other-than-temporary impairment write-downs	**(29)**	(17)	**(44)**	(17)
Net gains (losses)	**$ (3)**	$ (23)	**$ (3)**	$ (23)

Note 4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill were as follows for the nine months ended September 30, 2008:

(In millions)	Investment Servicing	Investment Management	Total
Balance at December 31, 2007	$ 4,559	$ 8	$ 4,567
Adjustments of goodwill previously recorded	**(33)**	—	**(33)**
Other additions and translation adjustments	**(17)**	**(1)**	**(18)**
Balance at September 30, 2008	**$ 4,509**	**$ 7**	**$ 4,516**

The adjustments of goodwill resulted primarily from changes in purchase accounting associated with the acquisitions of Investors Financial Services Corp. and Currenex, Inc.

The gross carrying amount and accumulated amortization of other intangible assets were as follows as of September 30, 2008 and December 31, 2007:

	September 30, 2008			December 31, 2007		
(In millions)	Gross Carrying Amount	Net Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 1,614**	**$ (291)**	**$ 1,323**	$ 1,615	$ (227)	$ 1,388
Core deposits	**500**	**(29)**	**471**	500	(11)	489
Other	**150**	**(54)**	**96**	155	(42)	113
Total	**$ 2,264**	**$ (374)**	**$ 1,890**	$ 2,270	$ (280)	$ 1,990

Expected full-year amortization expense for other intangible assets is $135 million for 2008, $136 million for 2009, $133 million for 2010, $131 million for 2011 and $130 million for 2012.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 5. Other Assets and Other Liabilities

Other assets included $9.34 billion and $4.51 billion of unrealized gains on derivative financial instruments at September 30, 2008 and December 31, 2007, respectively. Other liabilities included $9.64 billion and $4.57 billion of unrealized losses on derivative financial instruments at September 30, 2008 and December 31, 2007, respectively. The increases resulted primarily from higher volumes of foreign exchange contracts and changes in foreign currency exchange rates.

In 2007, in connection with the Investors Financial acquisition, we recorded liabilities for exit and termination costs of approximately $67 million. These costs were composed of liabilities for severance associated with Investors Financial employees, abandonment of Investors Financial operating leases, and termination of service and other contracts executed by Investors Financial with third parties. These costs were recorded as part of the purchase price, and resulted in additional goodwill. Payment of liabilities associated with contract terminations and severance is expected to be substantially completed by the end of 2008. The liability related to lease abandonments will be reduced over the terms of the related leases, which is approximately twelve years.

The following table presents activity related to these liabilities for the first nine months of 2008.

(In millions)	Contract Terminations	Severance	Lease Abandonments	Total
Balance at December 31, 2007	$ 10	$ 20	$ 31	$ 61
Payments	(10)	(4)	—	(14)
Other adjustments	—	(8)	4	(4)
Balance at September 30, 2008	$ —	$ 8	$ 35	$ 43

Note 6. Short-Term Borrowings

In September 2008, the Federal Reserve Bank of Boston instituted the “Asset-Backed Commercial Paper Money Market Mutual Funds Liquidity Facility,” referred to as the AMLF. The AMLF was designed to assist in restoring liquidity to the asset-backed commercial paper markets and assist registered money market mutual funds in maintaining adequate liquidity to meet investor redemption demand. The facility is authorized by federal regulations which permit the Federal Reserve, in unusual circumstances, to authorize Reserve Banks to extend credit to certain parties that are unable to obtain adequate credit accommodations.

The AMLF, which will be available until January 30, 2009 unless extended by the Board of Governors of the Federal Reserve, allows a depository institution or bank holding company to borrow funds on a non-recourse basis from the Federal Reserve Bank’s discount window in order to fund purchases of qualifying asset-backed commercial paper from an eligible money market mutual fund or other eligible entity under certain conditions. Borrowings under the facility are extended on a non-recourse basis at fixed interest rates equal to the primary credit rate in effect at the Federal Reserve Bank of Boston at the time of the borrowing. The terms and conditions of the AMLF stipulate that the term of the borrowing must equal the maturity of the eligible asset-backed commercial paper collateralizing the borrowing.

We participated in the AMLF during the third quarter of 2008 to provide liquidity to certain eligible unaffiliated money market mutual funds. As of September 30, 2008, we carried asset-backed commercial paper

Note 6. Short-Term Borrowings (Continued)

of $76.66 billion purchased under this facility in our consolidated balance sheet, and had corresponding outstanding borrowings under the AMLF totaling $76.63 billion. In accordance with recent industry guidance, the commercial paper is purchased at the fund's cost, and an adjustment to the commercial paper purchased for the difference between its purchase price and its fair value at the time of purchase is recorded in our statement of income, with an offsetting adjustment to the corresponding borrowing. As a result, there is no net income statement impact. Thereafter, the purchase discount or premium is accreted or amortized into current earnings over the term of the commercial paper as a yield adjustment to the carrying value of the asset. The commercial paper is reported separately in our consolidated balance sheet in investment securities held to maturity. The corresponding short-term borrowings are also reported separately in our consolidated balance sheet. As of September 30, 2008, the aggregate securities we held in connection with our participation in the AMLF included approximately $1.63 billion of eligible asset-backed commercial paper issued by the State Street-administered asset-backed commercial paper conduits.

As described above, the borrowings are extended on a non-recourse basis. As such, there is no credit or market risk exposure to us on the assets, and as a result the terms of the AMLF permit exclusion of the assets from regulatory leverage and risk-based capital calculations. The interest rate on the borrowings is set by the Federal Reserve Bank, and we earn net interest revenue by earning a spread on the difference between the yield we earn on the assets and the rate we pay on the borrowings. For the third quarter of 2008, this net interest revenue totaled approximately $8 million.

Note 7. Long-Term Debt

In January 2008, State Street Capital Trust III, a Delaware statutory trust wholly owned by the parent company, issued $500 million in aggregate liquidation amount of 8.250% fixed-to-floating rate normal automatic preferred enhanced capital securities, referred to as "normal APEX," and used the proceeds to purchase a like amount of remarketable 6.001% junior subordinated debentures due 2042 from the parent company. In addition, the trust entered into stock purchase contracts with the parent company under which the trust agrees to purchase, and the parent company agrees to sell, on the stock purchase date, a like amount in aggregate liquidation amount of the parent company's non-cumulative perpetual preferred stock, series A, $100,000 liquidation preference per share. State Street will make contract payments to the trust at an annual rate of 2.249% of the stated amount of $100,000 per stock purchase contract. The normal APEX are beneficial interests in the trust. The trust will pass through, as distributions on or the redemption price of normal APEX, amounts that it receives on its assets that are the corresponding assets for the normal APEX. The corresponding assets for each normal APEX, $1,000 liquidation amount, initially are $1,000 principal amount of the 6.001% junior subordinated debentures and a 1/100th, or a $1,000, interest in a stock purchase contract for the purchase and sale of one share of the Series A preferred stock for $100,000. The stock purchase date is expected to be March 15, 2011, but it may occur on an earlier date or as late as March 15, 2012. From and after the stock purchase date, the corresponding asset for each normal APEX will be a 1/100th, or a $1,000, interest in one share of the Series A preferred stock. In accordance with existing accounting standards, we did not record the trust in our consolidated financial statements. The junior subordinated debentures qualify for inclusion in tier 1 regulatory capital.

Note 8. Commitments and Contingencies

Off-Balance Sheet Commitments and Contingencies

In the normal course of business, we hold assets under custody and management in a custodial or fiduciary capacity. Management conducts regular reviews of its responsibilities in this regard and considers the results in preparing the consolidated financial statements. In the opinion of management, no contingent liabilities existed at September 30, 2008, that would have had a material adverse effect on State Street's consolidated financial condition or results of operations.

On behalf of our customers, we lend their securities to brokers and other institutions. In most circumstances, we indemnify our customers for the fair market value of those securities against a failure of the borrower to return such securities. The aggregate amount of indemnified securities on loan totaled $493.62 billion at September 30, 2008, and $558.37 billion at December 31, 2007. We require the borrowers to provide collateral in an amount equal to or in excess of 100% of the fair market value of the securities borrowed. Securities on loan are revalued daily to determine if additional collateral is necessary. Collateral received in connection with our securities lending services is held by us as agent and is not recorded in our consolidated statement of condition. We held, as agent, cash and securities totaling $506.74 billion and $572.93 billion as collateral for indemnified securities on loan at September 30, 2008 and December 31, 2007, respectively.

The collateral held by us is invested on behalf of our customers. In certain cases, the collateral is invested in third-party repurchase agreements, for which we indemnify the customer against loss of the principal invested. We require the repurchase agreement counterparty to provide collateral in an amount equal to or in excess of 100% of the amount of the repurchase agreement. The indemnified repurchase agreements and the related collateral are not recorded in our consolidated statement of condition. Of the collateral of $506.74 billion at September 30, 2008 and $572.93 billion at December 31, 2007 referenced above, $98.25 billion at September 30, 2008 and $106.13 billion at December 31, 2007 was invested in indemnified repurchase agreements. We held, as agent, $102.87 billion and $111.02 billion as collateral for indemnified investments in repurchase agreements at September 30, 2008 and December 31, 2007, respectively.

Legal Proceedings

Several customers have filed litigation claims against us, some of which are putative class actions purportedly on behalf of customers invested in certain of State Street Global Advisors', or SSgA's, active fixed-income strategies. These claims relate to investment losses in one or more of SSgA's strategies that included sub-prime mortgage-backed investments. In December 2007, we established a reserve of approximately $625 million to address legal exposure associated with the under-performance of certain active fixed-income strategies managed by SSgA and customer concerns as to whether the execution of these strategies was consistent with the customers' investment intent. These strategies were adversely impacted by exposure to, and the lack of liquidity in, sub-prime mortgage markets that resulted from the disruption in the global securities markets during the second half of 2007. After aggregate settlement and related payments of $390 million through September 30, 2008, the reserve totaled approximately $235 million at September 30, 2008.

We are involved in various industry-related and other regulatory, governmental and law enforcement inquiries and subpoenas, as well as legal proceedings including the proceedings related to SSgA's active fixed-income strategies referenced above, that arise in the normal course of business. In the opinion of management, after discussion with counsel, these regulatory, governmental and law enforcement inquiries and subpoenas and legal proceedings can be defended or resolved without a material adverse effect on our consolidated financial condition or results of operations in future periods.

Note 8. Commitments and Contingencies (Continued)

Income Tax Contingencies

In the normal course of business, we are subject to challenges from U.S. and non-U.S. income tax authorities regarding the amount of taxes due. These challenges may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions.

The IRS has completed its review of our 2000 – 2003 income tax returns. During those years, we entered into leveraged leases known as sale-in, lease-out, or SILO, transactions, which the IRS has since classified as tax shelters. The IRS has disallowed tax losses resulting from these leases. During the second quarter of 2008, while we were engaged in settlement discussions with them, the IRS won a court victory in a SILO case involving other taxpayers. Shortly after that decision, the IRS suspended all SILO settlement discussions and, during the third quarter of 2008, issued a standard SILO settlement offer to most taxpayers that had entered into such transactions. After reviewing the settlement offer, we decided not to accept it but to continue to pursue our appeal rights within the IRS. We believe that we reported the tax effects of all SILO lease transactions properly based upon applicable statutes, regulations and case law in effect at the time we entered into them.

In accordance with SFAS No. 13, *Accounting for Leases,* we recorded revenue and deferred tax liabilities with respect to SILO transactions based on projected pre-tax and tax cash flows. In consideration of the terms of the settlement offer and the context in which it was issued, during the third quarter of 2008, we revised our projections of the timing and amount of tax cash flows and we have reflected those revisions in our leveraged lease accounting under SFAS No. 13. We have also substantially reserved for tax-related interest expense that may be incurred upon resolution of this matter.

While it is unclear whether we will be able to reach an acceptable resolution with the IRS, management believes we are sufficiently accrued as of September 30, 2008 for tax exposures, including exposures related to SILO transactions, and related interest expense. If management revises its evaluation of this tax position in a future period, the effect of the revision will be recorded in income tax expense in that period.

Other Contingencies

In September and October 2008, Lehman Brothers Holdings Inc., or Lehman Brothers, and certain of its affiliates filed for bankruptcy or other insolvency proceedings. While we had no unsecured financial exposure to Lehman Brothers or its affiliates, we indemnified certain customers in connection with these and other collateralized repurchase agreements with Lehman Brothers entities. In the current market environment, the market value of the underlying collateral declined. To the extent these declines resulted in collateral value falling below the indemnification obligation, we recorded an aggregate reserve of $200 million for the third quarter of 2008. The amount of the reserve was based on the cost of satisfying the indemnification obligation net of the fair value of the collateral, of which we took possession during the fourth quarter of 2008.

Note 9. Securitizations and Variable Interest Entities

Tax-Exempt Investment Programs

In the normal course of business, we structure and sell certificated interests in pools of tax-exempt investment-grade assets, principally to mutual fund customers. We structure these pools as partnership trusts, and

Note 9. Securitizations and Variable Interest Entities (Continued)

the trusts are recorded in our consolidated statement of condition as investment securities available for sale (state and political subdivisions) and other short-term borrowings. We may also provide liquidity and re-marketing services to the trusts.

We transfer assets to the trusts from our investment securities portfolio at adjusted book value, and the trusts finance the acquisition of these assets by selling certificated interests issued by the trusts to third-party investors and to State Street as residual holder. These transfers do not meet the derecognition criteria of SFAS No. 140, and therefore are recorded in our consolidated financial statements. On a cumulative basis, the trusts had a weighted-average life of approximately 8.29 years at September 30, 2008, compared to approximately 8.6 years at December 31, 2007.

Under separate agreements, we provide standby bond purchase agreements to the trusts, which obligate State Street to acquire the certificated interests at par value in the event that the re-marketing agent is unable to place the certificated interests with investors. Our obligations as standby bond purchase agreement provider terminate in the event of the following credit events: payment default, bankruptcy of issuer or credit enhancement provider, imposition of taxability, or downgrade of an asset held by the trust below investment grade. Our commitments to the trusts under these standby bond purchase agreements totaled $2.99 billion at September 30, 2008, none of which had been utilized through period-end. In the event that our obligations under these agreements are triggered, no material impact to our consolidated financial condition or results of operations is expected to occur, because the securities are carried at fair value in our consolidated statement of condition.

Asset-Backed Commercial Paper Programs

We established our first asset-backed commercial paper program in 1992, primarily to satisfy the investment demand of our institutional customers, particularly mutual fund customers, for commercial paper. Currently, we administer four third-party owned, multi-seller asset-backed commercial paper programs, or "conduits," which purchase financial instruments, predominantly securities from the capital markets. These conduits, which are structured as special purpose, bankruptcy-remote entities, provide our customers with short-term investment products for cash management and other investment purposes. Our relationship with the conduits is contractual. We hold no direct or indirect equity ownership in these entities.

Under FIN 46(R), each of the conduits meets the definition of a variable interest entity. In applying the provisions of FIN 46(R), we apply a financial model to the activities of each of the conduits to determine the primary beneficiaries of the conduits. As a result of an expected loss analysis using this model, we have concluded that we are not the primary beneficiary of any of the conduits, as defined by FIN 46(R), and as a result, we do not record these conduits in our consolidated financial statements. The conduits have third-party investors who hold subordinated debt issued by the conduits. These investors are in a first-loss position and bear the majority of the expected losses, as defined by FIN 46(R), of the conduits. We re-perform our expected loss analysis at least quarterly, and more frequently if specific events occur. At September 30, 2008 and December 31, 2007, total assets in these unconsolidated conduits were $25.50 billion and $28.76 billion, respectively.

Note 9. Securitizations and Variable Interest Entities (Continued)

In the normal course of business, asset purchases are funded by the conduits' issuance of commercial paper. We provide liquidity to the conduits through contractual liquidity asset purchase agreements and back-up liquidity lines of credit. The majority of these liquidity support arrangements is provided by us. Other institutions can and do provide liquidity to the conduits. In addition, we provide direct credit support to the conduits in the form of standby letters of credit. Our commitments under these liquidity asset purchase agreements and back-up lines of credit totaled $25.22 billion, and our commitments under the standby letters of credit totaled $1.02 billion, at September 30, 2008.

During the first half of 2008, certain of the conduits issued an aggregate of $35 million of incremental subordinated debt to third parties, providing additional first-loss protection in light of the continued disruption and resulting volatility in the markets. The subordinated debt was issued subject to consistent underlying terms. Aggregate conduit first-loss notes outstanding at September 30, 2008 totaled $67 million, compared to $32 million at December 31, 2007. In addition, during the first quarter of 2008, we were required to purchase $850 million of conduit assets pursuant to the contractual terms of the liquidity asset purchase agreement between State Street and the conduits. The purchase was the result of various factors, including the continued illiquidity in the commercial paper markets. The securities were purchased at prices determined in accordance with existing contractual terms in the liquidity asset purchase agreement, which prices exceeded their fair value. Accordingly, during the first quarter of 2008, the securities were written down to fair value through a $12 million reduction of processing fees and other revenue in our consolidated statement of income, and are carried at fair value in securities available for sale in our consolidated statement of condition. We were not required to purchase any additional conduit assets during the second or third quarters of 2008.

Both the subordinated debt issuances and the asset purchase were deemed to be "reconsideration events" pursuant to FIN 46(R). Accordingly, the expected loss analysis was re-performed to consider the occurrence of each of these events and it was determined that our model assumptions continued to be appropriate and were reflective of market participant assumptions. Accordingly, management concluded as of the occurrence of each of these events that consolidation of each of the conduits was not required.

The conduits generally sell commercial paper to third-party investors; however, we sometimes purchase commercial paper from the conduits. The commercial paper is purchased at then current market prices, and is carried at fair value in trading account assets in our consolidated statement of condition. As of September 30, 2008, we held on our consolidated balance sheet an aggregate of approximately $7.82 billion of commercial paper issued by the conduits (including $1.63 billion purchased under the AMLF, discussed in note 6), compared to $212 million as of June 30, 2008 and $2 million as of December 31, 2007.

We earn fees from our role as administrator, liquidity or credit enhancement provider, derivative counterparty, and as one of the dealers, which fees are priced on a market basis. These fees are recorded in processing fees and other revenue in our consolidated statement of income.

The conduits are not designed to distribute interest-rate and/or foreign currency risk to commercial paper investors or the subordinated note holders. Accordingly, the conduits take measures to mitigate these risks through the use of derivative financial instruments. These derivatives are generally executed with State Street Bank as a counterparty, and are based upon market observable rates and indices. Among the most significant

Note 9. Securitizations and Variable Interest Entities (Continued)

derivatives are basis swaps, whereby the conduit receives its cost of funds and pays LIBOR plus a spread to State Street Bank. This structure mitigates a portion of the risk of erosion in the expected spread between the conduits' cost of funds and the respective currency LIBOR rate.

Deterioration in asset performance or certain other factors, including the ability of the conduits to continue to access the commercial paper market, may shift the asset risk from the commercial paper investors to State Street Bank as the liquidity or credit enhancement provider. In addition, the conduits may need to draw upon the back-up facilities to repay maturing commercial paper. In these instances, we would either acquire assets from the conduits or make loans to the conduits secured by the conduit's assets.

Collateralized Debt Obligations

SSgA acts as collateral manager for a small number of collateralized debt obligations, or CDOs. A CDO is a managed investment vehicle which purchases a portfolio of diversified highly-rated assets. The CDO funds these purchases through the issuance of several tranches of debt and equity, the repayment and return of which are linked to the performance of the assets in the CDO. These entities typically meet the definition of a variable interest entity as defined by FIN 46(R). We are not the primary beneficiary of these CDOs, and as a result do not record these CDOs in our consolidated financial statements. At September 30, 2008 and December 31, 2007, total assets in these CDOs were $2.00 billion and $6.73 billion, respectively.

Note 10. Shareholders' Equity

Capital Purchase Program

On October 14, 2008, the U.S. Department of the Treasury announced its capital purchase program designed to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. On October 28, 2008, we issued 20,000 shares of our Series B fixed-rate cumulative perpetual preferred stock, $100,000 liquidation preference per share, and a warrant to purchase 5,576,208 shares of our common stock at an exercise price of $53.80 per share, to Treasury, and received total aggregate proceeds of $2 billion.

The preferred shares, which qualify as tier 1 regulatory capital, will pay cumulative quarterly dividends at a rate of 5% per year for the first five years, and 9% per year thereafter. The preferred shares are non-voting, other than class voting rights on certain matters that could adversely affect the shares. We can redeem the preferred shares at par after December 15, 2011. Prior to this date, we can only redeem the preferred shares at par in an amount up to the cash proceeds (minimum $500 million) from qualifying equity offerings of any tier 1-eligible perpetual preferred or common stock. Any redemption is subject to the consent of the Board of Governors of the Federal Reserve System. Until October 28, 2011, or such earlier time as the preferred stock has been redeemed or transferred by Treasury, we will not, without Treasury's consent, be permitted to increase the dividend per share on our common stock or repurchase our common stock.

The warrant is immediately exercisable, and has a 10-year term. The exercise price of $53.80 per share was based upon the average of the closing prices of our common stock during the 20-trading day period ended October 10, 2008, the last trading day prior to our election to participate in the program. The exercise price and

Note 10. Shareholders' Equity (Continued)

number of shares subject to the warrant are both subject to anti-dilution adjustments. If we receive aggregate gross cash proceeds of at least $2 billion from one or more qualifying equity offerings of tier 1-eligible perpetual preferred or common stock on or prior to December 31, 2009, the number of shares of common stock underlying the warrant then held by Treasury will be reduced by one-half of the original number of shares, considering all adjustments, underlying the warrant.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of taxes, were as follows as of the dates indicated:

(In millions)	September 30, 2008	December 31, 2007
Foreign currency translation	**$ 223**	$ 331
Unrealized loss on hedges of net investments in non-U.S. subsidiaries	**(14)**	(15)
Unrealized loss on available-for-sale securities	**(3,194)**	(678)
Unrealized loss on fair value hedges of available-for-sale securities	**—**	(55)
Minimum pension liability	**(146)**	(146)
Unrealized loss on cash flow hedges	**(15)**	(12)
Total	**$ (3,146)**	$ (575)

Total comprehensive income for the nine months ended September 30, 2008 was a loss of $1,016 million, composed of $1,555 million of net income less $2,571 million of other comprehensive loss, which represents the overall change in accumulated other comprehensive loss presented in the above table. Total comprehensive income was $893 million for the nine months ended September 30, 2007, composed of net income of $1,038 million less $145 million of other comprehensive loss.

Total comprehensive loss for the three months ended September 30, 2008 was $953 million, and total comprehensive income for the three months ended September 30, 2007 was $265 million.

Common Stock

During the second quarter of 2008, we completed a public offering of approximately 40.5 million shares of our common stock. The public offering price was $70 per share, and aggregate proceeds from the offering, net of underwriting commissions and related offering costs, totaled approximately $2.75 billion. Underwriting commissions totaled approximately $85 million. Of the total shares issued, approximately 7.4 million shares were issued out of treasury stock, and the remaining 33.1 million shares were newly issued. We executed the offering pursuant to our current universal shelf registration statement filed with the SEC.

In March 2007, our Board of Directors authorized the purchase of up to 15 million shares of common stock for general corporate purposes, including mitigating the dilutive impact of shares issued under employee benefit plans. Under this authorization, in January 2008, we repurchased 552,000 shares of our common stock in connection with the

Note 10. Shareholders' Equity (Continued)

settlement of a $1 billion accelerated share repurchase program that concluded on January 18, 2008. No additional shares were purchased during the first nine months of 2008 under this authorization, and as of September 30, 2008, approximately 13.2 million shares remained available for future purchase under the Board's authorization. We generally employ third-party broker-dealers to acquire shares on the open market in connection with Board-authorized purchases of our common stock. The terms of the capital purchase program, described earlier in this note, prohibit us from purchasing any shares of our common stock, other than in connection with employee benefit plans, or from increasing the per share dividend on our common stock, without Treasury's consent, until the earlier to occur of the redemption of all shares of senior preferred stock issued to Treasury under the program, the transfer by Treasury of all such shares or the date 3 years after the issuance of such shares.

Shares of our common stock held in treasury at September 30, 2008 consisted of 404,943 shares acquired for deferred compensation plans, which shares are held by an external trustee and are not related to our Board-authorized common stock purchase program.

Note 11. Fair Value Measurements

Effective January 1, 2008, we adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* We have not elected the fair value option for any of our financial assets or financial liabilities since adoption of the standard, although we may do so in the future.

Effective January 1, 2008, we adopted the provisions of SFAS No. 157, *Fair Value Measurements.* This standard provides a consistent definition of fair value, establishes a framework for measuring fair value in accordance with GAAP and requires expanded disclosures about fair value measurements. Prior to the standard, definitions of fair value varied and guidance for applying those definitions under GAAP was limited. In addition, the guidance was dispersed among the many accounting pronouncements that require fair value measurements.

The standard is intended to increase consistency and comparability in, and disclosures about, fair value measurements, by providing users with better information about the extent to which fair value is used to measure financial assets and liabilities, the inputs used to develop those measurements and the effect of the measurements, if any, on financial condition and results of operations.

We did not apply the provisions of the standard to our non-financial assets and liabilities, pursuant to FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157.* This FSP, issued in February 2008, deferred the effective date of the standard to January 1, 2009 for non-financial assets and liabilities, except for those recognized or disclosed at fair value on a recurring basis. This deferral affects non-financial assets, such as goodwill, that require impairment analysis using fair value measurements. We do not expect the application of this FSP to have a material impact on our consolidated financial condition or results of operations.

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. In addition, the standard establishes a hierarchy for measuring fair value. The fair value hierarchy is based on the observability of inputs to the valuation of a financial asset or liability as of the measurement date. In addition, the standard requires the recognition of trading gains or

Note 11. Fair Value Measurements (Continued)

losses related to certain derivative transactions whose fair value has been determined using unobservable market inputs, which nullifies the guidance in Emerging Issues Task Force Issue, or "EITF," No. 02-3*, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities,* which prohibited the recognition of trading gains or losses for such derivative transactions when determining the fair value of instruments not traded in an active market.

Management believes that its valuation techniques and underlying assumptions used to measure fair value conform to the provisions of the standard. We have categorized the financial assets and liabilities that we carry at fair value in our consolidated statement of condition based upon the standard's three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable valuation inputs (level 3). If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment, and considers factors specific to that asset or liability. The three levels are described below:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. Examples of level 1 financial instruments include active exchange-traded equity securities and certain U.S. government securities. We did not categorize any of our financial assets or liabilities in level 1 at January 1, 2008, and only an insignificant amount at September 30, 2008.

Level 2. Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets;

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d) Pricing models whose inputs are derived principally from or corroborated by observable market information through correlation or other means for substantially the full term of the asset or liability.

Our level 2 financial assets predominately include commercial paper purchased from our State Street-administered asset-backed commercial paper conduits, various types of interest-rate and foreign exchange derivatives, and various types of fixed-income investment securities.

Note 11. Fair Value Measurements (Continued)

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability, and are based on the best available information, some of which is internally developed. The following provides a more detailed discussion of our financial assets and liabilities that we may categorize in level 3 and the related valuation methodology.

- Asset-backed commercial paper carried in trading account assets is composed of certain foreign currency denominated paper for which fair value is measured using a matrix pricing methodology. Matrix pricing is a mathematical valuation technique that does not rely on quoted prices, but on the relationship of the securities being valued to other benchmark quoted securities, and thus inputs into the matrix are observable in the market. Matrix pricing is commonly used in the industry to measure fair value. Model inputs are based on market information from published indices, but may be adjusted by management as deemed appropriate to account for market or liquidity conditions, in which case the assets are categorized in level 3.

- For certain securities available for sale, fair value is measured using information obtained from third-party sources or through the use of pricing models. Management has evaluated its methodologies used to determine fair value, but considers the level of market-observable information to be insufficient to categorize the securities in level 2.

- Foreign exchange contracts carried in other assets and other liabilities are primarily composed of forward contracts and options. The fair value of foreign exchange forward contracts is measured using discounted cash flow techniques. However, in certain circumstances, extrapolation is required to develop certain forward points, which are not observable. The fair value of foreign exchange options is measured using an option pricing model. Because of a limited number of observable transactions, certain model inputs are unobservable, such as volatilities which are based on historical experience.

- The fair value of certain interest-rate caps with long-dated maturities, also carried in other assets and other liabilities, is measured using a matrix pricing approach. Observable market prices are not available for these derivatives, so extrapolation is necessary to value these instruments, since they have a strike and/or maturity outside of the matrix.

The fair value of our level 3 financial assets at September 30, 2008 was $7.91 billion, or 9% of the total net carrying value of our total financial assets carried at fair value, and the fair value of our level 3 financial liabilities was $645 million, or 7% of the total net carrying value of our total financial liabilities carried at fair value.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11. Fair Value Measurements (Continued)

The following table presents information about our financial assets and liabilities carried at fair value in our consolidated statement of condition as of September 30, 2008.

	Fair Value Measurements on a Recurring Basis as of September 30, 2008				
(In millions)	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Impact of Netting[1]	Total Net Carrying Value in Consolidated Statement of Condition
Assets:					
Trading account assets	$ 21	$ 5,840	$ 471		$ 6,332
Investment securities available for sale:					
U.S. Treasury and federal agencies:					
Direct obligations	—	11,553	—		11,553
Mortgage-backed securities	—	11,162	2		11,164
Asset-backed securities	—	19,460	6,411		25,871
Collateralized mortgage obligations	—	9,162	10		9,172
State and political subdivisions	—	5,672	2		5,674
Other investments	—	5,061	386		5,447
Total investment securities available for sale	—	62,070	6,811		68,881
Other assets	—	14,317	628	$ (5,606)	9,339
Total assets carried at fair value	$ 21	$ 82,227	$ 7,910	$ (5,606)	$ 84,552
Liabilities:					
Other liabilities		$ 14,603	$ 645	$ (5,606)	$ 9,642
Total liabilities carried at fair value	$ —	$ 14,603	$ 645	$ (5,606)	$ 9,642

(1) Represents counterparty and cash collateral netting against level 2 financial assets and liabilities. FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts—an interpretation of APB Opinion No. 10 and FASB Statement No. 105***,** permits netting of receivables and payables when a legally enforceable master netting agreement exists between State Street and the counterparty.

Trading account assets are primarily composed of asset-backed commercial paper issued by certain of the State Street-administered commercial paper conduits.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11. Fair Value Measurements (Continued)

The following tables present activity related to our financial assets and liabilities categorized in level 3 of the valuation hierarchy for the three and nine months ended September 30, 2008.

	Fair Value Measurements Using Significant Unobservable Inputs Three Months Ended September 30, 2008						
		Total Realized and Unrealized Gains (Losses)					
(In millions)	Fair Value at June 30, 2008	Recorded in Revenue	Recorded in Other Comprehensive Income	Purchases, Issuances and Settlements, Net	Transfers Into and/or Out of Level 3	Fair Value at September 30, 2008	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at September 30, 2008
Assets:							
Trading account assets				$ 471		$ 471	
Investment securities available for sale:							
U.S. Treasury and federal agencies:							
Mortgage-backed securities	$ 3			(1)		2	
Asset-backed securities	7,082		$ (190)	58	$ (539)	6,411	
Collateralized mortgage obligations	13		(3)	—	—	10	
State and political subdivisions	18		—	—	(16)	2	
Other investments	45	$ 2	(29)	364	4	386	
Total investment securities available for sale:	7,161	2	(222)	421	(551)	6,811	
Other assets	430	71	—	132	(5)	628	$ 116
Total assets	$ 7,591	$ 73	$ (222)	$ 1,024	$ (556)	$ 7,910	$ 116

	Fair Value Measurements Using Significant Unobservable Inputs Three Months Ended September 30, 2008						
		Total Realized and Unrealized (Gains) Losses					
(In millions)	Fair Value at June 30, 2008	Recorded in Revenue	Recorded in Other Comprehensive Income	Purchases, Issuances and Settlements, Net	Transfers Into and/or Out of Level 3	Fair Value at September 30, 2008	Change in Unrealized (Gains) Losses Related to Financial Instruments Held at September 30, 2008
Liabilities:							
Other liabilities	$ 477	$ 42	$ —	$ 126	$ —	$ 645	$ 99
Total liabilities	$ 477	$ 42	$ —	$ 126	$ —	$ 645	$ 99

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11. Fair Value Measurements (Continued)

	Fair Value Measurements Using Significant Unobservable Inputs Nine Months Ended September 30, 2008						
		Total Realized and Unrealized Gains (Losses)					
(In millions)	Fair Value at January 1, 2008	Recorded in Revenue	Recorded in Other Comprehensive Income	Purchases, Issuances and Settlements, Net	Transfers Into and/or Out of Level 3	Fair Value at September 30, 2008	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at September 30, 2008
Assets:							
Trading account assets				$ 471		$ 471	
Investment securities available for sale:							
U.S. Treasury and federal agencies:							
Mortgage-backed securities	$ 327				$ (325)	2	$ 2
Asset-backed securities	5,721	$ (3)	$ (574)	354	913	6,411	—
Collateralized mortgage obligations	459	—	(3)	(1)	(445)	10	—
State and political subdivisions	—	—	—	2	—	2	—
Other investments	53	2	(28)	355	4	386	—
Total investment securities available for sale:	6,560	(1)	(605)	710	147	6,811	2
Other assets	374	140	—	120	(6)	628	120
Total assets	$ 6,934	$ 139	$ (605)	$ 1,301	$ 141	$ 7,910	$ 122

	Fair Value Measurements Using Significant Unobservable Inputs Nine Months Ended September 30, 2008						
		Total Realized and Unrealized (Gains) Losses					
(In millions)	Fair Value at January 1, 2008	Recorded in Revenue	Recorded in Other Comprehensive Income	Purchases, Issuances and Settlements, Net	Transfers Into and/or Out of Level 3	Fair Value at September 30, 2008	Change in Unrealized (Gains) Losses Related to Financial Instruments Held at September 30, 2008
Liabilities:							
Other liabilities	$ 399	$ 136	$ —	$ 111	$ (1)	$ 645	$ 118
Total liabilities	$ 399	$ 136	$ —	$ 111	$ (1)	$ 645	$ 118

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 11. Fair Value Measurements (Continued)

For our financial assets and liabilities categorized in level 3, total realized and unrealized gains and losses for the three and nine months ended September 30, 2008 were recorded in revenue as follows:

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
(In millions)	Total Realized and Unrealized Gains (Losses) Recorded in Revenue	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at September 30, 2008	Total Realized and Unrealized Gains (Losses) Recorded in Revenue	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at September 30, 2008
Fee revenue:				
Trading services	$ 20	$ 8	$ 15	$ 13
Processing fees and other	9	9	(12)	(11)
Total fee revenue	29	17	3	2
Net interest revenue	2	—	2	—
Gains (Losses) related to investment securities, net	—	—	(2)	2
Total revenue	$ 31	$ 17	$ 3	$ 4

Transfers out of level 3 during the nine months ended September 30, 2008 related to mortgage-backed securities and collateralized mortgage obligations, for which fair value was measured using prices for which market-observable information became available. Transfers into level 3 during the nine months ended September 30, 2008 substantially related to asset-backed securities, for which management believed that market-observable information was not sufficient, generally as a result of market illiquidity.

Note 12. Derivative Financial Instruments

We use derivative financial instruments to support customers’ needs, conduct trading activities and manage our interest-rate and currency risk.

As part of our trading activities, we may assume positions in both the foreign exchange and interest-rate markets by buying and selling cash instruments and using derivative financial instruments, including foreign exchange forward contracts, foreign exchange and interest-rate options, and interest-rate swaps. In the aggregate, long and short foreign exchange forward positions are matched closely to minimize currency and interest-rate risk. All foreign exchange contracts are valued daily at current market rates.

Note 12. Derivative Financial Instruments (Continued)

The following table summarizes the contractual or notional amounts of derivative financial instruments held or issued in connection with trading and asset and liability management activities as of the dates indicated:

(In millions)	September 30, 2008	December 31, 2007
Trading:		
Interest-rate contracts:		
Swap agreements	**$ 14,569**	$ 11,637
Options and caps purchased	**1,269**	1,241
Options and caps written	**5,210**	5,519
Futures	**2,054**	957
Options on futures purchased	**713**	2,245
Foreign exchange contracts:		
Forward, swap and spot	**841,008**	732,013
Options purchased	**25,145**	21,538
Options written	**25,625**	20,967
Credit derivative contracts:		
Credit default swap agreements	**145**	238
Equity derivative contracts:		
Swap agreements	**—**	72
Asset and liability management:		
Interest rate contracts:		
Swap agreements	**$ 3,058**	$ 3,494
Foreign exchange contracts:		
Swap agreements	**—**	146

In connection with our asset and liability management activities, we have executed interest-rate swap agreements designated as fair value and cash flow hedges to manage interest-rate risk. The notional values of these interest-rate contracts and the related assets or liabilities being hedged were as follows as of the dates indicated:

	September 30, 2008			December 31, 2007		
(In millions)	Fair Value Hedges	Cash Flow Hedges	Total	Fair Value Hedges	Cash Flow Hedges	Total
Available-for-sale investment securities	**$ 2,196**	**$ 44**	**$ 2,240**	$ 2,226		$ 2,226
Interest-bearing time deposits	**118**	**—**	**118**	118		118
Long-term debt[1]	**500**	**200**	**700**	700	$ 450	1,150
Total	**$ 2,814**	**$ 244**	**$ 3,058**	$ 3,044	$ 450	$ 3,494

(1) As of September 30, 2008 and December 31, 2007, the fair value hedges of long-term debt increased the carrying value of long-term debt presented in the accompanying consolidated statement of condition by $28 million and $19 million, respectively.

Note 12. Derivative Financial Instruments (Continued)

The contractual rates and weighted-average rates, which include the effects of hedges related to these financial instruments, were as follows for the periods indicated:

	Three Months Ended September 30,			
	2008		2007	
	Contractual Rates	Rate Including Impact of Hedges	Contractual Rates	Rate Including Impact of Hedges
Interest-bearing time deposits	**2.85%**	**2.79%**	5.70%	5.74%
Long-term debt	**5.84**	**5.45**	6.52	6.65

	Nine Months Ended September 30,			
	2008		2007	
	Contractual Rates	Rate Including Impact of Hedges	Contractual Rates	Rate Including Impact of Hedges
Interest-bearing time deposits	**3.45%**	**3.42%**	5.52%	5.63%
Long-term debt	**5.81**	**5.63**	6.62	6.75

During the third quarter of 2008, we closed our foreign exchange forward position with an aggregate notional amount of €100 million (approximately $146 million). In connection with this hedge, we recorded a net after-tax unrealized gain of $1 million in other comprehensive income for the nine months ended September 30, 2008.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 13. Net Interest Revenue

Net interest revenue consisted of the following for the periods indicated:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest revenue:				
Deposits with banks	**$ 180**	$ 115	**$ 571**	$ 252
Investment securities:				
U.S. Treasury and federal agencies	**213**	301	**731**	797
State and political subdivisions	**62**	59	**182**	147
Other investments	**454**	609	**1,382**	1,697
Securities purchased under resale agreements and federal funds sold	**78**	195	**320**	574
Loans and leases[1]	**(25)**	87	**172**	251
Trading account assets	**20**	17	**49**	40
Interest revenue associated with AMLF	**45**	—	**45**	—
Total interest revenue	**1,027**	1,383	**3,452**	3,758
Interest expense:				
Deposits	**320**	638	**1,112**	1,654
Short-term borrowings	**89**	219	**323**	762
Long-term debt	**56**	62	**173**	168
Interest expense associated with AMLF	**37**	—	**37**	—
Total interest expense	**502**	919	**1,645**	2,584
Net interest revenue	**$ 525**	$ 464	**$ 1,807**	$ 1,174

(1) Interest revenue for loans and leases for the three and nine months ended September 30, 2008 reflected a cumulative reduction of $98 million recorded in connection with the recalculation of the allocation of the components of leasing-related revenue over the terms of our SILO leveraged lease transactions. Additional information about SILO leveraged lease transactions is provided in note 8.

Note 14. Employee Benefit Plans

The components of net periodic benefit cost were as follows for the periods indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
(In millions)	2008	2007	2008	2007	2008	2007	2008	2007
Service cost	**$ 6**	$ 11	**$ 1**	$ 1	**$ 17**	$ 46	**$ 3**	$ 3
Interest cost	**15**	8	**2**	1	**44**	34	**4**	3
Expected return on plan assets	**(15)**	(8)	**—**	—	**(45)**	(34)	**—**	—
Amortization of net loss	**3**	3	**—**	—	**9**	12	**—**	—
Curtailment gain (loss)	**—**	1	**—**	—	**—**	1	**—**	—
Net periodic benefit cost	**$ 9**	$ 15	**$ 3**	$ 2	**$ 25**	$ 59	**$ 7**	$ 6

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 14. Employee Benefit Plans (Continued)

Expected employer contributions to the tax-qualified U.S. and non-U.S. defined benefit pension plan, non-qualified unfunded supplemental employee retirement plans and post-retirement plan for 2008, which are unchanged from that disclosed in note 17 to the consolidated financial statements included in our 2007 Form 10-K, are $12 million, $6 million and $7 million, respectively. We made aggregate contributions of approximately $19 million to these plans during the first nine months of 2008.

Note 15. Other Operating Expenses

Other operating expenses consisted of the following for the periods indicated:

(In millions)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Customer indemnification obligation	**$ 200**		**$ 200**	
Securities processing	**25**	$ 18	**96**	$ 33
Other	**97**	97	**329**	277
Total other operating expenses	**$ 322**	$ 115	**$ 625**	$ 310

Note 16. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

(Dollars in millions, except per share amounts)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net income	**$ 477**	$ 358	**$ 1,555**	$ 1,038
Average shares outstanding (in thousands):				
Basic average shares	**430,872**	386,843	**407,186**	352,410
Effect of dilutive securities:				
Stock options and stock awards	**4,158**	5,284	**4,008**	4,260
Equity-related financial instruments	**—**	23	**10**	25
Diluted average shares	**435,030**	392,150	**411,204**	356,695
Anti-dilutive securities(1)	**2,012**	1,091	**921**	1,091
Earnings per Share:				
Basic	**$ 1.11**	$ .92	**$ 3.82**	$ 2.95
Diluted	**1.09**	.91	**3.78**	2.91

(1) Amounts represent stock options and stock appreciation rights outstanding but not included in the computation of diluted average shares because the exercise prices of the instruments were greater than the average fair value of our common stock during the periods.

STATE STREET CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Note 17. Line of Business Information

We report two lines of business, Investment Servicing and Investment Management. Given our services and management organization, the results of operations for these lines of business are not necessarily comparable with those of other companies, including other companies in the financial services industry. For more information about our lines of business, refer to note 22 to the consolidated financial statements in our 2007 Form 10-K.

The following is a summary of line of business results. The amounts in the "Divestitures" column represent the operating results of our joint venture interest in CitiStreet prior to the sale in July 2008. The amounts presented in the "Other" column for 2008 represent the net interest revenue associated with our participation in the AMLF; the gain on the sale of our joint venture interest in CitiStreet; the provision related to our estimated net exposure for customer indemnification associated with collateralized repurchase agreements; and the merger and integration costs recorded in connection with our acquisition of Investors Financial. The 2007 amount represents the merger and acquisition costs recorded in connection with the acquisition of Investors Financial. The amounts in these columns were not allocated to State Street's business lines.

	For the Three Months Ended September 30,									
	Investment Servicing		Investment Management		Divestitures		Other		Total	
(Dollars in millions, except where otherwise noted)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Fee revenue:										
Servicing fees	**$ 966**	$ 937							**$ 966**	$ 937
Management fees	**—**	—	**$ 261**	$ 299					**261**	299
Trading services	**363**	320	**—**	—					**363**	320
Securities finance	**180**	128	**66**	37					**246**	165
Processing fees and other	**51**	69	**12**	8		$ 1			**63**	78
Total fee revenue	**1,560**	1,454	**339**	344		1			**1,899**	1,799
Net interest revenue after provision for loan losses	**503**	427	**14**	31		6	**$ 8**		**525**	464
Gains (Losses) related to investment securities, net	**(3)**	(23)	**—**	—		—	**—**		**(3)**	(23)
Gain on sale of CitiStreet interest, net of exit and other associated costs	**—**	—	**—**	—		—	**350**		**350**	—
Total revenue	**2,060**	1,858	**353**	375		7	**358**		**2,771**	2,240
Operating expenses	**1,415**	1,292	**278**	254	**$ 2**	2	**—**		**1,695**	1,548
Customer indemnification obligation	**—**	—	**—**	—	**—**	—	**200**		**200**	—
Merger and integration costs	**—**	—	**—**	—	**—**	—	**30**	$ 141	**30**	141
Total operating expenses	**1,415**	1,292	**278**	254	**2**	2	**230**	141	**1,925**	1,689
Income before income tax expense	**$ 645**	$ 566	**$ 75**	$ 121	**$ (2)**	$ 5	**$ 128**	$ (141)	**$ 846**	$ 551
Pre-tax margin	**31%**	30%	**21%**	33%						
Average assets (in billions)	**$ 146.1**	$ 128.4	**$ 3.1**	$ 3.1	**$ 0.4**	$ 0.5			**$ 149.6**	$ 132.0

Note 17. Line of Business Information (Continued)

	For the Nine Months Ended September 30,									
	Investment Servicing		Investment Management		Divestitures		Other		Total	
(Dollars in millions, except where otherwise noted)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Fee revenue:										
Servicing fees	**$ 2,903**	$ 2,421							**$ 2,903**	$ 2,421
Management fees	**—**	—	**$ 819**	$ 844					**819**	844
Trading services	**1,049**	800	**—**	—					**1,049**	800
Securities finance	**667**	323	**234**	102					**901**	425
Processing fees and other	**138**	177	**64**	38	**$ (8)**	$ 1			**194**	216
Total fee revenue	**4,757**	3,721	**1,117**	984	**(8)**	1			**5,866**	4,706
Net interest revenue after provision for loan losses	**1,717**	1,056	**76**	100	**6**	18	**$ 8**		**1,807**	1,174
Gains (Losses) related to investment securities, net	**(3)**	(23)	**—**	—	**—**	—	**—**		**(3)**	(23)
Gain on sale of CitiStreet interest, net of exit and other associated costs	**—**	—	**—**	—	**—**	—	**350**		**350**	—
Total revenue	**6,471**	4,754	**1,193**	1,084	**(2)**	19	**358**		**8,020**	5,857
Operating expenses	**4,345**	3,405	**902**	708	**5**	6	**—**		**5,252**	4,119
Customer indemnification obligation	**—**	—	**—**	—	**—**	—	**200**		**200**	—
Merger and integration costs	**—**	—	**—**	—	**—**	—	**88**	$ 141	**88**	141
Total operating expenses	**4,345**	3,405	**902**	708	**5**	6	**288**	141	**5,540**	4,260
Income before income tax expense	**$ 2,126**	$ 1,349	**$ 291**	$ 376	**$ (7)**	$ 13	**$ 70**	$ (141)	**$ 2,480**	$ 1,597
Pre-tax margin	**33%**	28%	**24%**	35%						
Average assets (in billions)	**$ 141.5**	$ 114.2	**$ 3.3**	$ 3.0	**$ 0.5**	$ 0.5			**$ 145.3**	$ 117.7

Note 18. Subsequent Event

SSgA manages certain investment accounts that have the benefit of contractual arrangements with third-party financial institutions, which allow the accounts to issue and redeem units based upon the book value of the account's assets rather than their market value. The third-party financial institutions, known as wrap providers, have an obligation to fund any shortfall in the account after all qualified participant withdrawals have been redeemed at a price based upon the assets' book value. The market-to-book value ratios on certain accounts managed by SSgA that benefit from contractual arrangements with wrap providers are lower than historical norms.

Subsequent to the end of the third quarter of 2008, we purchased approximately $2.5 billion of asset-backed and mortgage-backed securities from these accounts at current market prices and made an aggregate cash infusion into the accounts of approximately $450 million. As a result of this transaction, we recorded a fourth quarter 2008 charge of approximately $450 million. These actions have improved the market-to-book value ratio and portfolio risk characteristics of these accounts and have maintained the continued availability of the underlying wrap contracts to our customers.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors
State Street Corporation

We have reviewed the condensed consolidated statement of condition of State Street Corporation as of September 30, 2008, and the related condensed consolidated statements of income for the three- and nine-month periods ended September 30, 2008 and 2007, and the consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2008 and 2007. These financial statements are the responsibility of the Corporation's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information 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 Public Company Accounting Oversight Board, 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.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above 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), the consolidated statement of condition of State Street Corporation as of December 31, 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 14, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of condition as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated statement of condition from which it has been derived.

Ernst + Young LLP

Boston, Massachusetts
November 3, 2008

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FORM 10-Q PART I CROSS-REFERENCE INDEX

The information required by the items presented below is incorporated herein by reference from the “Financial Information” section of this Form 10-Q.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

A discussion of risk factors applicable to State Street is provided in our Current Report on Form 8-K dated October 15, 2008, which we previously filed with the SEC.

ITEM 6. EXHIBITS

Exhibit Number	
3.1	Restated Articles of Organization of State Street Corporation, as amended on October 27, 2008 (filed as Exhibit 3.1 to State Street's Current Report on Form 8-K dated October 27, 2008 and incorporated herein by reference)
3.2	Amended and Restated By-Laws dated October 16, 2008
4.1	Warrant dated October 28, 2008 to purchase shares of Common Stock of State Street Corporation (filed as Exhibit 4.1 to State Street's Current Report on Form 8-K dated October 27, 2008 and incorporated herein by reference)
10.1	State Street Corporation Executive Supplemental Retirement Plan, Amended and Restated Effective as of January 1, 2008 (formerly, "State Street Corporation Supplemental Defined Benefit Pension Plan")
10.2	Form of Employment Agreement with each of Ronald E. Logue and Edward J. Resch, Amended and Restated Effective as of January 1, 2008
10.3	Form of Employment Agreement with each of Joseph L. Hooley, Joseph C. Antonellis and James S. Phalen, Amended and Restated Effective as of January 1, 2008
10.4	Purchase Agreement dated as of October 26, 2008 between State Street Corporation and the United States Department of the Treasury (filed as Exhibit 10.1 to State Street's Current Report on Form 8-K dated October 27, 2008 and incorporated herein by reference)
12	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

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SIGNATURES

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

State Street Corporation
(Registrant)

Date: November 3, 2008	By:	/s/ Edward J. Resch
		Edward J. Resch *Executive Vice President and* *Chief Financial Officer* *(Principal Financial Officer)*
Date: November 3, 2008	By:	/s/ James J. Malerba
		James J. Malerba *Executive Vice President and Corporate Controller* *(Principal Accounting Officer)*

EXHIBIT INDEX

3.2	Amended and Restated By-Laws dated October 16, 2008
10.1	State Street Corporation Executive Supplemental Retirement Plan, Amended and Restated Effective as of January 1, 2008 (formerly, “State Street Corporation Supplemental Defined Benefit Pension Plan”)
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32	Section 1350 Certifications

BY-LAWS

of

STATE STREET CORPORATION

As amended through October 16, 2008

ARTICLE I

SHAREHOLDERS

SECTION 1.Annual Meeting. The annual meeting of shareholders of this corporation shall be held at such time and place as may be determined from time to time by the Board of Directors. In the event an annual meeting is not held at the time fixed in accordance with these by-laws or the time for an annual meeting is not fixed in accordance with these by-laws to be held within 13 months after the last annual meeting, the corporation may designate a special meeting as a special meeting in lieu of the annual meeting, and such meeting shall have all of the effect of an annual meeting. The purposes for which an annual meeting is to be held shall be specified in the corporation's notice of the meeting and only business within such purposes may be conducted at the meeting.

SECTION 2.Special Meetings. Special meetings of the shareholders may be called at any time by the chairman of the Board or by the Board of Directors and shall be called by the secretary, or in the case of the death, absence, incapacity or refusal of the secretary, by any other officer, if the holders of at least forty (40) percent of all the votes entitled to be cast on any issue to be considered at the proposed special meeting sign, date and deliver to the secretary one or more written demands for the meeting describing the purpose for which it is to be held. Such demands must include all the information that would be required pursuant to paragraph (b) of Section 7 of this Article I. Such demands may suggest a place, date and hour of such meeting, provided, however, that no such demands shall suggest a date not a full business day or an hour not within normal business hours as the date or hour of such meeting and provided, further, that such date and hour shall be determined by the chairman of the Board or by the Board of Directors. Special meetings of the shareholders shall be held at such place as may be determined by the Board of Directors. The purposes for which a special meeting is to be held shall be described in the corporation's notice of the meeting and only business within such purposes may be conducted at the meeting.

SECTION 3.Place of Meetings. Meetings of the shareholders may be held within or without the Commonwealth.

SECTION 4.Notice. Except as hereinafter provided, a written notice of each meeting of shareholders stating the place, date and hour and describing the purpose or purposes thereof shall be given by the secretary or an assistant secretary (or by any other officer who is authorized to provide notice of such meeting) no fewer than seven nor more than 60 days before the meeting date to each shareholder entitled to vote thereat and to each other shareholder to whom, by law or by the articles of organization, the corporation is required to provide such notice. Such notice shall be given in accordance with Article V of these by-laws. Whenever notice of a meeting is required to be given to a shareholder by law, by the articles of organization or by these by-laws, a written waiver of such notice, signed before or after the meeting by such shareholder or such shareholder's attorney thereunto authorized, or transmitted by such shareholder or attorney by a method from which it can be determined that the waiver was authorized by the shareholder or attorney, and delivered to the corporation for inclusion with the records of the meeting, shall be deemed equivalent to such notice for such meeting and all adjourned sessions thereof. In addition, a shareholder's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

SECTION 5.Action at a Meeting. Except as otherwise provided by the articles of organization, at any meeting of the shareholders a majority of all shares of stock then issued, outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of any business. Though less than a quorum be present, any meeting may without further notice be adjourned to a subsequent date or until a quorum be had, and at any such adjourned meeting any business may be transacted which might have been transacted at the original meeting.

When a quorum is present at any meeting, the affirmative vote of a majority of the shares of stock present or represented and entitled to vote shall be necessary and sufficient to the determination of any questions brought before the meeting, unless a larger or different vote is required by law, by the articles of organization or by these by-laws, provided, however, that, except as otherwise provided by the articles of organization, any election by shareholders shall be determined by a plurality of the votes cast by the shareholders entitled to vote in such election.

Except as otherwise provided by law or by the articles of organization, each outstanding share entitled to vote on any matter shall have one vote for each such share held of record according to the records of the corporation, and a proportionate vote for any fractional share so held, on each matter voted on at a shareholder meeting. To the extent permitted by law, shareholders may vote either in person or by proxy. The delivery of a proxy on behalf of a shareholder consistent with telephonic or electronically transmitted instructions obtained pursuant to procedures of the corporation reasonably designed to verify that such instructions have been authorized by such shareholder shall constitute execution and delivery of the proxy by or on behalf of the shareholder. Except to the extent permitted by law, no proxy dated more than eleven months before the meeting named therein shall be valid, and unless otherwise expressly limited by its terms, a proxy shall entitle the holder or holders of the proxy to vote at any adjournment of such meeting but shall not be valid after the final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if authorized by or on behalf of any one of them unless at or prior to the exercise of the proxy the corporation receives written (including by electronic transmission as provided above in this paragraph) notice to the contrary from any one of them. A proxy purporting to be authorized by or on behalf of a shareholder, if accepted by the corporation in its discretion, shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving its invalidity shall rest on the challenger.

Any election of directors by shareholders and the determination of any other action to come before a meeting of shareholders shall be by ballot if so requested by any shareholder at the meeting entitled to vote thereon but need not be otherwise.

SECTION 6.Action Without a Meeting. Except as otherwise required by law, any action required or permitted to be taken at any meeting of the shareholders may be taken without a meeting if all shareholders entitled to vote on the action consent to the action in writing (including by means of electronic transmission describing the action taken, from which it can be determined that the consent was authorized by the shareholder), which written consents describe the action taken, are signed by all shareholders entitled to vote on the action, bear the date of the signatures of such shareholders and are delivered to the corporation for inclusion with the records of the meetings of shareholders within sixty (60) days of the earliest dated consent delivered to the corporation. Each consent shall be treated for all purposes as a vote at a meeting.

SECTION 7.Notice of Shareholder Business and Nomination of Directors.

(a)*Meetings of Shareholders*. At any meeting of the shareholders, only such business shall be conducted, and only such nominations for director shall be considered, as shall have been properly brought before the meeting as provided in this Section 7. To be properly brought before a meeting, business and nominations must be (i) specified in the corporation's notice of meeting, (ii) brought before the meeting by or at the direction of the chairman of the Board or the Board of Directors, (iii) properly brought before a special meeting upon written demands as provided in Section 2 of this Article I or properly requested to be brought before a special meeting in accordance with paragraph (c) of this Section 7, or (iv) properly requested to be brought before an annual meeting by a shareholder of the corporation who (x) was a shareholder of record at the time of the giving of the notice provided for in this Section 7, (y) is a shareholder of record on the record date for the meeting and is entitled to vote at such meeting and (z) has complied with the notice procedures and other requirements of this Section 7; provided, however, that a shareholder may not bring or propose to be brought before a meeting any business under this clause (iv) unless such business is a proper matter for shareholder action under Massachusetts law and such business is within the purposes specified in the corporation's notice of meeting. Other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), clause (iii) of this Section 7(a) shall be the exclusive means for a shareholder to bring business and nominations before any special meeting of the shareholders and clause (iv) of this Section 7(a) shall be the exclusive means for a shareholder to bring business and nominations before any annual meeting of the shareholders. The chairman of the Board or other presiding officer of the meeting shall have the power and duty to determine whether business or a nomination was properly brought before the meeting in accordance with the provisions of this Section 7, and if the chairman or other presiding officer should determine that business or a nomination was not properly brought before the meeting in accordance with the provisions of this Section 7, he or she shall so declare to the meeting and such business shall not be brought before the meeting.

(b)*Annual Meetings*. For business and nominations to be properly brought before an annual meeting by a shareholder pursuant to clause (iv) of paragraph

(a) of this Section 7, the shareholder must have given timely notice thereof in writing to the secretary of this corporation and, if the shareholder, or the beneficial owner on whose behalf any such business or nomination(s) is to be made, solicits or participates in the solicitation of proxies in support of such business or nomination(s), the shareholder must have timely and accurately indicated its, or such beneficial owner's, intention to do so as provided below. To be timely, a shareholder's notice shall be delivered to the secretary of this corporation at the principal executive offices of this corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the regularly-scheduled annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of (x) the 60th day prior to such annual meeting and (y) the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment or postponement of a scheduled meeting of shareholders commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or reelection as a director (I) all information relating to such proposed nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (along with such proposed nominee's written consent to being named as a nominee and to serving as a director if elected) and (II) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among (x) the shareholder, the beneficial owner, if any, on whose behalf the nomination is being made and the respective affiliates and associates of, or others acting in concert with, such shareholder and such beneficial owner, on the one hand, and (y) each proposed nominee, and his or her respective affiliates and associates, or others acting in concert with such nominee, on the other hand, including all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such Item and the proposed nominee were a director or executive officer of such registrant; (B) as to any business (other than nominations for election as a director) that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the bylaws of this corporation, the text of the proposed amendment), and a description of any material interest in such business of such shareholder, the beneficial owner, if any, on whose behalf the proposal is made and the respective affiliates and associates of, or others acting in concert with, such shareholder and such beneficial owner; (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the business or nomination(s) is proposed (I) the name and address of such shareholder, as they appear on this corporation's books, and of such beneficial owner, (II) the class or series and number of shares of this corporation which are, directly or indirectly, owned beneficially and of record by such shareholder and by such beneficial owner, (III) a description of any agreement, arrangement or understanding between such shareholder and such beneficial owner and any other person or persons (including their names) in connection with such business or nomination, (IV) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the shareholder's notice by, or on behalf of, such shareholder and such beneficial owner, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such shareholder or such beneficial owner with respect to shares of stock of the corporation, and (V) any other information relating to such shareholder and such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the business proposed and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (D) a representation as to whether either such shareholder or beneficial owner, alone or as part of a group, intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation’s outstanding capital stock required to approve or adopt the business proposed or elect the nominee and/or (y) otherwise to solicit proxies from shareholders in support of such business or nominee. Not later than 10 days after the record date for the meeting, the information required by Items (A), (B) and (C) of the prior sentence shall be supplemented by the shareholder giving the notice to provide updated information as of the record date. The corporation may require any proposed nominee to furnish promptly such other information as may be reasonably required to determine the eligibility and qualifications of such proposed nominee to serve as a director of the corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such nominee.

(c)*Special Meetings*. Nominations of persons for election to the Board of Directors may be properly brought before a special meeting at which the Board of Directors has determined that directors shall be elected either (i) by or at the direction of the Board of Directors, or (ii) by any shareholder of the corporation who complies with the notice provisions set forth below and is a shareholder of record on the date of the giving of such notice and who is a shareholder of record on the record date for the meeting and is entitled to vote at such meeting. Shareholders desiring to nominate persons for election to the Board of Directors at such a special meeting of shareholders shall deliver a shareholder’s notice that includes all the information that would be required pursuant to paragraph (b) of this Section 7 to the secretary of this corporation at the principal executive offices of this corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of (x) the 60th day prior to such special meeting and (y) the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such notice shall be updated in the same manner as provided by paragraph (b) of this Section 7. The corporation may require any proposed nominee to furnish promptly such other information as may be reasonably required to determine the eligibility and qualifications of such proposed nominee to serve as a director of the corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such nominee. In no event shall the public announcement of an adjournment or postponement of a scheduled meeting of shareholders commence a new time period (or extend any time period) for the giving of a shareholder’s notice as described above.

(d) *General*. For purposes of this Section 7, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by this corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Except as otherwise required by law, nothing in this Section 7 shall obligate the corporation or the Board of Directors to include in its notice of meeting or proxy statement for any annual meeting any proposal or other information submitted by a shareholder.

Notwithstanding the foregoing provisions of this Section 7, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 7; provided, however, that any references in these by-laws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to, and shall not, limit the requirements applicable to shareholder business and nominations contained in this Section 7 . Nothing in this Section 7 shall be deemed to affect any rights (i) of shareholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or any successor Rule or (ii) of the holders of any series of preferred stock if and to the extent provided for under law, the articles of organization or these by-laws.

SECTION 8. Postponement or Adjournment of Annual or Special Meeting. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled annual or special meeting of shareholders. Any annual or special meeting of shareholders may be adjourned by the chairman of the Board or by the Board of Directors.

ARTICLE II

DIRECTORS

SECTION 1. Number, Election and Term. There shall be a board of not less than three nor more than 30 directors. The number of directors shall be determined from time to time by vote of a majority of the directors then in office. No director need be a shareholder. Except as otherwise provided by law or by the articles of organization, each director shall hold office until the next annual meeting of shareholders and until such director's successor is duly elected and qualified, or until such director sooner dies, resigns, is removed or becomes disqualified or there is a decrease in the number of directors.

No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 2. Resignations. Any director may resign by delivering his or her written resignation to the corporation at its principal office or to the chairman of the Board or to the Board of Directors. Such resignation shall become effective at the time or upon the happening of the condition, if any, specified therein, or, if no such time or condition is specified, upon its receipt. A director who has submitted a resignation effective at a future date shall continue to have all the powers of a director of the corporation, including without limitation the power to vote to fill any vacancy or newly created directorship pursuant to Section 4 of this Article II, until such time as such resignation becomes effective.

SECTION 3.Removal. At any meeting of the shareholders called for the purpose, the notice of which meeting states that purpose, any director may be removed from office only for cause and only by vote of a majority of the shares issued, outstanding and entitled to vote for the election of directors. At any meeting of the Board of Directors called for the purpose, the notice of which meeting states that purpose, any director may be removed from office for cause by vote of a majority of the directors then in office.

SECTION 4.Vacancies. Vacancies and newly created directorships, whether resulting from an increase in the size of the Board of Directors, from the death, resignation, disqualification or removal of a director, or otherwise, may be filled by the shareholders or by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, and any director so elected shall hold office for a term to expire at the next shareholders' meeting at which directors are elected, and until such director's successor is duly elected and qualified or until such director sooner dies, resigns, is removed or becomes disqualified or there is a decrease in the number of directors.

SECTION 5.Regular Meetings. Regular meetings of the Board of Directors may be held at such times and places within or without the Commonwealth of Massachusetts as the Board of Directors may fix from time to time and, when so fixed, no notice thereof need be given. Unless otherwise prescribed by the Board of Directors, the first meeting of the Board of Directors following the annual meeting of the shareholders shall be held without notice on the day of the annual meeting of the shareholders or the special meeting of the shareholders held in lieu thereof, immediately following the annual meeting at the principal office of the corporation. If in any year a first meeting of the Board of Directors is not held at such time and place, any elections to be held or business to be transacted at such first meeting may be held or transacted at any later meeting of the Board of Directors with the same force and effect as if held or transacted at such first meeting.

SECTION 6.Special Meetings. Special meetings of the Board of Directors may be called at any time by the president or secretary or by any director. Such special meetings may be held anywhere within or without the Commonwealth of Massachusetts, as designated in the notice of the meeting. A written notice stating the place, date and hour (but not necessarily the purposes) of the meeting shall be given to each director by the secretary or an assistant secretary or by the officer or director calling the meeting at least forty-eight hours before such meeting in accordance with Article V of these by-laws. A director may waive any notice before or after the date and time of the meeting. The waiver shall be in writing, signed by the director entitled to the notice, or in the form of an electronic transmission by the director to the corporation, and filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting, or promptly upon his or her arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

SECTION 7.Action at a Meeting. Unless otherwise provided by law, the articles of organization or these by-laws, a quorum of the Board of Directors consists of a majority of the directors then in office, provided always that any number of directors (whether one or more and whether or not constituting a quorum) constituting a majority of directors present at any meeting or at any adjourned meeting may make an adjournment thereof. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors, unless the articles of organization or these by-laws require the vote of a greater or different number of directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is considered to have assented to the action taken unless: (i) he or she objects at the beginning of the meeting, or promptly upon his or her arrival, to holding it or transacting business at the meeting; (ii) his or her dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) he or she delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

SECTION 8.Action Without a Meeting. Any action required or permitted to be taken by the directors may be taken without a meeting if the action is taken by the unanimous consent of the members of the Board of Directors. The action must be evidenced by one or more consents describing the action taken, in writing, signed by each director, or delivered to the corporation by electronic transmission, to the address specified by the corporation for the purpose or, if no address has been specified, to the principal office of the corporation, addressed to the secretary or other officer or agent having custody of the records of proceedings of directors, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section 8 is effective when the last director signs or delivers the consent, unless the consent specifies a different effective date. A consent signed or delivered under this Section 8 has the effect of a meeting vote and may be described as such in any document.

SECTION 9.Powers. The business and affairs of the corporation shall be managed under the direction of the Board of Directors, who shall have and may exercise (or have exercised under its authority) all the powers of the corporation, except such as by law or by the articles of organization are conferred upon or reserved to the shareholders. In particular, and without limiting the foregoing, the directors may at any time authorize to be issued all or any part of the unissued capital stock of the corporation from time to time authorized under the articles of organization and may determine, subject to any requirements of applicable law, the consideration for which stock is to be issued and the manner of allocating such consideration between capital and surplus. In the event of any vacancy in the Board of Directors, the remaining directors then in office, except as otherwise provided by law, shall have and may exercise all of the powers of the Board of Directors until the vacancy is filled.

SECTION 10.Committees. The Board of Directors may appoint from the Board an executive committee or one or more other committees and may delegate to any such committee or committees any or all of the powers of the Board except those which by law, by the articles of organization or by these by-laws may not be so delegated. Such committees shall serve at the pleasure of the Board. Except as provided by law or as the Board of Directors may otherwise determine, each such committee may make rules for the conduct of its business, but, unless otherwise determined by the Board in a manner consistent with law or in such rules, its business shall be conducted as nearly as may be provided in these by-laws for the conduct of the business by the Board of Directors.

SECTION 11.Presence Through Communications Equipment. Unless otherwise provided by law or the articles of organization, members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can simultaneously hear each other during the meeting and participation by such means shall constitute presence in person at a meeting.

ARTICLE III

OFFICERS

SECTION 1.Enumeration. The officers of the corporation shall consist of a president, a treasurer and a secretary and such other officers, including without limitation a chairman of the Board of Directors, one or more vice chairmen of the Board of Directors, a clerk and one or more vice presidents, assistant treasurers, assistant secretaries and assistant clerks, as the Board of Directors may from time to time determine.

SECTION 2.Qualifications. Any officer may be, but none need be, a shareholder or a director. The same person may hold at the same time one or more offices. Any officer may be required by the Board of Directors to give a bond for the faithful performance of his or her duties to the corporation, in such form and with such sureties as the Board of Directors may determine.

SECTION 3.Appointments. The president, treasurer and secretary shall be appointed annually by the Board of Directors at its first meeting following the annual meeting of the shareholders. All other officers shall be chosen or appointed by the Board of Directors at such meeting or at any other time.

SECTION 4.Term. Except as otherwise provided by law, by the articles of organization or by these by-laws, the chairman, president, treasurer and secretary shall hold office until the first meeting of the Board of Directors following the next annual meeting of shareholders and until their respective successors are chosen and qualified, or in each case until such officer sooner dies, resigns, is removed or becomes disqualified. All other officers shall hold office at the pleasure of the Board of Directors.

SECTION 5.Resignations. Any officer may resign by delivering his or her written resignation to the corporation at its principal office or to the president or to the secretary. Such resignation shall be effective at such later time or upon such later happening of a condition, if any, specified therein or, if no such time or condition is specified, upon its delivery.

SECTION 6.Removal. Any officer may be removed from office with or without cause by the vote of a majority of the directors then in office.

SECTION 7.Vacancies. Vacancies in any office may be filled by or as authorized by the Board of Directors.

SECTION 8.Certain Duties and Powers. Unless otherwise prescribed by the Board of Directors, the officers designated below, subject at all times to these by-laws and to the direction and control of the Board of Directors, shall have and may exercise the respective duties and powers set forth below. Any two or more offices may be held by the same person, except as otherwise required by law.

(a) *The Chairman of the Board of Directors*. The chairman of the Board, if there is one, shall have such duties and powers as are prescribed by the Board of Directors and, when present, shall preside at all meetings of the shareholders and at all meetings of the Board of Directors.

(b) *The Chief Executive Officer*. The chief executive officer, if there is one, shall, subject to the direction of the Board of Directors, have general supervision and control of the business of the corporation and have such other duties and powers as are prescribed by the Board of Directors. If there is no chairman, unless otherwise determined by the Board, the chief executive officer shall, when present, preside at all meetings of the shareholders and at all meetings of the Board of Directors.

(c) *The President*. The president shall have such duties and powers as are prescribed by the Board of Directors. If there is no chairman or chief executive officer, unless otherwise determined by the Board, the president shall, when present, preside at all meetings of the shareholders and at all meetings of the Board of Directors.

(d) *The Treasurer*. Except as the Board of Directors shall otherwise determine, the treasurer shall be the chief financial officer of the corporation and shall cause to be kept accurate books of accounts and have such other powers and duties as customarily belong to the office of treasurer or as may be designated from time to time by the Board of Directors.

(e) *The Secretary*. The secretary shall keep a record of all proceedings of the shareholders and of all proceedings of the Board of Directors. In the absence of the secretary from any meeting of the shareholders or from any meeting of the Board of Directors, an assistant secretary, if there be one, otherwise a secretary pro tempore designated by the person presiding at the meeting, shall perform the duties of the secretary at such meeting.

SECTION 9.<u>Other Duties and Powers</u>. Each officer, subject at all times to these by-laws and to the direction and control of the Board of Directors, shall have and may exercise, in addition to the duties and powers specifically set forth in these by-laws, such duties and powers as are prescribed by law, such duties and powers as are commonly incident to his or her office and such duties and powers as the Board of Directors may from time to time prescribe.

ARTICLE IV

<u>CAPITAL STOCK</u>

SECTION 1.<u>Certificates</u>. Unless the Board of Directors by resolution otherwise provides, each shareholder of record shall be entitled to a certificate or certificates stating the number and the class and the designation of the series, if any, of the shares held by the shareholder, and otherwise in a form approved by the Board of Directors. Each certificate shall be signed by the chairman of the Board, the president or a vice president and by the treasurer or an assistant treasurer and shall bear the corporate seal. Such signatures and such seal may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he or she was such officer at the time of its issue.

Every certificate issued for shares of stock at a time when such shares are subject to any restriction on transfer pursuant to the articles of organization, these by-laws or any agreement to which the corporation is a party shall have the restriction noted conspicuously on the certificate.

Every certificate issued for shares of stock at a time when the corporation is authorized to issue more than one class or series of stock shall set forth on the face or back of the certificate either (i) a summary of the preferences, limitations and special and relative rights of the shares of each class and series, if any, authorized to be issued, as set forth in the articles of organization, or (ii) a statement of the existence of such preferences, limitations and rights and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

SECTION 2.Transfers. The Board of Directors may make such rules and regulations not inconsistent with law, with the articles of organization or with these by-laws as it deems expedient relative to the issue, transfer and registration of stock certificates. The Board of Directors may appoint one or more banks or trust companies, including one which is a subsidiary or affiliate of the corporation, as transfer agents and registrars of the shares of stock of the corporation and may require all stock certificates to be signed by such a transfer agent or registrar or both. The corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of names and addresses of all shareholders, in alphabetical order, by voting group and by class or series of shares showing the number of shares held by each. Except as otherwise provided by law, by the articles of organization or by these by-laws, the corporation shall be entitled to treat the record holder of any shares of stock as shown on the books of the corporation as the holder of such shares for all purposes, including the right to receive notice of and to vote at any meeting of shareholders and the right to receive any dividend or other distribution in respect of such shares.

SECTION 3.Record Date. The Board of Directors may fix in advance a time, which shall be not more than 70 days before the date of any meeting of shareholders or the date for the payment of any dividend or the making of any distribution to shareholders or the last day on which the consent or dissent of shareholders may be effectively expressed for any purpose, as the record date for determining the shareholders having the right to notice of and to vote at such meeting and any adjournment thereof or the right to receive such dividend or distribution or the right to give such consent or dissent, and in such case only shareholders of record on such record date shall have such right, notwithstanding any transfer of stock on the books of the corporation after the record date; or without fixing such record date the directors may for any of such purposes close the transfer books for all or any part of such period. If no record date is fixed and the transfer books are not closed, (i) the record date for determining shareholders having the right to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, and (ii) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors acts with respect thereto.

SECTION 4.Lost Certificates. The Board of Directors may, except as otherwise provided by law, determine the conditions upon which a new certificate of stock may be issued in place of any certificate alleged to have been lost, mutilated or destroyed.

ARTICLE V

MANNER OF NOTICE

Except as otherwise provided in these by-laws or required by law, notices provided for under these by-laws shall conform to the following requirements:

(a) Notice shall be in writing. Notice by electronic transmission is written notice.

(b) Subject to subsection (d) below, notice may be communicated in person; telegraph, teletype or other electronic means; by mail; by electronic transmission; or by messenger or delivery service.

(c) Written notice, other than notice by electronic transmission, by the corporation to its shareholders, in comprehensible form, is effective upon deposit in the United States mail, if mailed postpaid and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders.

(d) Written notice by electronic transmission, if in comprehensible form, is effective: (1) if by facsimile telecommunication, when directed to a number furnished by the addressee for the purpose; (2) if by electronic mail, when directed to an electronic mail address furnished by the addressee for the purpose; (3) if by a posting on an electronic network together with separate notice to the addressee of such specific posting, directed to an electronic mail address furnished by the addressee for the purpose, upon the later of (i) such posting and (ii) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the addressee in such manner as the addressee shall have specified to the corporation;provided,however, that notices by any shareholder to the corporation shall not be by any of the forms of electronic transmission set forth in clauses (2), (3) or (4) of this subsection (d). An affidavit of the secretary or an assistant secretary of the corporation, the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(e) Except as provided in subsection (c) of this Article V, written notice, other than notice by electronic transmission, if in comprehensible form, is effective at the earliest of the following: (1) when received; (2) five days after its deposit in the United States mail, if mailed postpaid and correctly addressed; or (3) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested; or if sent by messenger or delivery service, on the date shown on the return receipt signed by or on behalf of the addressee.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 1.Fiscal Year. The fiscal year of the corporation shall begin on the first day of January in each year and end on the last day of December next following.

SECTION 2.Corporate Seal. The seal of the corporation shall be in such form as shall be determined from time to time by the Board of Directors.

SECTION 3.Corporate Records. A copy of the corporation's articles of organization, by-laws, resolutions creating one or more classes or series of outstanding shares fixing their relevant rights, preferences and limitations, minutes of all meetings of the shareholders for the preceding three years, written communications to shareholders generally within the preceding three years, list of the names and business addresses of the current directors and officers, and most recent annual report for the secretary of state, shall be kept in the Commonwealth of Massachusetts at the principal office of the corporation or at an office of its transfer agent or of its secretary or of its registered agent, if any.

SECTION 4.Voting of Securities. Except as the Board of Directors may otherwise prescribe and as may be limited by law, the chairman of the Board, if there be one, the president and the treasurer and each of them acting singly shall have full power and authority in the name and behalf of the corporation, subject to the instructions of the Board of Directors, to waive notice of, to attend, act and vote at, and to appoint any person or persons to act as proxy or attorney in fact for this corporation (with or without power of substitution) at, any meeting of shareholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

SECTION 5.MGL Chapter 110D. The provisions of Chapter 110D of the General Laws shall not apply to this corporation on or after January 1, 1988, provided that the Board of Directors has and reserves its right under Chapter 110D to subsequently amend these by-laws to accept the provisions of Chapter 110D.

ARTICLE VII

AMENDMENTS

Except as otherwise provided by the articles of organization, these by-laws may be altered, amended or repealed at any annual or special meeting of the shareholders by the affirmative vote of a majority of the shares of stock then issued, outstanding and entitled to vote on the matter, provided notice of the substance of the proposed alteration, amendment or repeal is given with the notice of the meeting. These by-laws may also be altered, amended or repealed by vote of a majority of the directors then in office, except with respect to any provision which by law, by the articles of organization or by these by-laws requires action by the shareholders. Action by the shareholders is required to alter, amend or repeal this Article VII so as to increase the power of the directors or reduce the power of the shareholders to alter, amend or repeal these by-laws. Not later than the time of giving notice of the meeting of the shareholders next following the making, amending or repealing by the directors of any by-law, notice stating the substance of the action taken shall be given to all shareholders entitled to vote on amending the by-laws. Any action taken by the directors with respect to these by-laws may be amended or repealed by the shareholders.

Exhibit 10.1

STATE STREET CORPORATION

Executive Supplemental Retirement Plan

(Amended and Restated January 1, 2008)

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ARTICLE 1 Establishment and Purpose.

1.1 Restatement. The Plan is an amendment and restatement of the Prior Plan, effective as of the Effective Date, unless otherwise provided. Employees who experienced a Separation From Service prior to the Effective Date shall have their benefits determined under the Prior Plan.

1.2 Purpose. The principal purposes of the Plan are to provide certain key Employees with competitive retirement benefits and to encourage the continued employment of such Employees with the Employer.

1.3 Section 409A. The Plan is intended to comply with Section 409A and shall be construed and administered accordingly.

ARTICLE 2 Definitions.

To the extent not otherwise defined in the text of the Plan, including, without limitation, any Exhibits and Schedules of the Plan, capitalized terms shall have the following meaning:

2.1 Account. “Account” means a bookkeeping account (including any subaccounts) maintained by the Administrator for a Participant to record the Participant’s Account Balance from time to time.

2.2 Account Balance. “Account Balance” means the value of an Account, as credited and/or debited in accordance with Article IV, from time to time.

2.3 Account Vesting Commencement Date. “Account Vesting Commencement Date” shall have the meaning set forth in Section 4.3(a).

2.4 Active Participant. “Active Participant” means an Eligible Employee who is participating in the Plan and who has not experienced a Separation from Service, Total Disability or death.

2.5 Administrative Procedures. “Administrative Procedures” means the policies and procedures established by the Committee and/or the Administrator from time to time governing elections to participate in the Plan, maintenance of Accounts, Investment Options, calculation of Investment Earnings/Losses, Investment Election Forms, distributions from the Plan and such other matters as are necessary for the proper administration of the Plan.

2.6 Administrator. “Administrator” means that person or persons, including a committee, as is or are delegated by the Board from time to time to discharge the responsibility of administering the Plan.

2.7 Affiliate. “Affiliate” means any corporation which is included in a controlled group of corporations (within the meaning of Section 414(b) of the Code), which includes the Company and any trade or business (whether or not incorporated) which is under common control with the Company (within the meaning of Section 414(c) of the Code).

2.8 Annual Credit Date. "Annual Credit Date" means, with respect to a Plan Year, the date of the first regularly scheduled meeting of the Committee that occurs after February 1 of the immediately following Plan Year.

2.9 Basic Plan. "Basic Plan" means the State Street Retirement Plan as the same may be amended from time to time.

2.10 Beneficiary. "Beneficiary" means the beneficiary designated to receive a death benefit by the Participant in writing in a form and manner satisfactory to the Administrator. If no Beneficiary is so designated, any death benefits shall be paid at the Administrator's direction in the following order of priority: Spouse, Domestic Partner, children, parents, siblings, estate.

2.11 Board. "Board" means the Board of Directors of the Company.

2.12 Business Day. "Business Day" means each day that the New York Stock Exchange is open for business.

2.13 Cause. "Cause" means, in the case of any Participant:

(i) the willful and continued failure of the Participant to perform substantially the Participant's duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Participant by the Participant's supervisor which specifically identifies the manner in which it is asserted that the Participant has not substantially performed the Participant's duties, or

(ii) the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Employer.

For purposes of this definition, no act or failure to act on the part of the Participant shall be considered "willful" unless it is done or omitted to be done by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Employer.

2.14 Claimant. "Claimant" has the meaning set forth in Section 8.1.

2.15 Code. "Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

2.16 Committee. "Committee" means the Executive Compensation Committee of the Board.

2.17 Company. "Company" means State Street Corporation and any successor company.

2.18 Company Credit. "Company Credit" means a notional amount credited to a Participant's Account in accordance with Section 4.1.

2.19 Continuing Participant. "Continuing Participant" means an Active Participant in the Prior Plan on December 31, 2007.

2.20 Credit Date. "Credit Date" means, as applicable, the Annual Credit Date or the Final Credit Date.

2.21 Default Investment Option. "Default Investment Option" means the default investment option specified from time to time by the Committee for the hypothetical investment of a Participant's Account in the event the Participant fails to allocate all or a portion of his or her Account to a particular Investment Option.

2.22 Domestic Partner. "Domestic Partner" means the person designated in a manner and form satisfactory to the Administrator as the Participant's domestic partner with respect to eligibility for company-provided benefits.

2.23 Early Retirement. "Early Retirement" means a Participant's Separation From Service upon or after the Participant's attainment of Early Retirement Age and prior to the Participant's attainment of Normal Retirement Age but excluding a Separation From Service for Cause.

2.24 Early Retirement Age. "Early Retirement Age" means age 53.

2.25 Early Retirement Date. "Early Retirement Date" means the date of a Participant's Early Retirement.

2.26 Effective Date. "Effective Date" means January 1, 2008.

2.27 Eligible Employee. "Eligible Employee" means an Employee who is appointed to the office of Executive Vice President of the Company or to a position superior to that of Executive Vice President of the Company.

2.28 Employee. "Employee" means an individual who renders services to the Employer (or who has rendered services to the Employer but is currently subject to an Impairment) as a common-law employee.

2.29 Employer. "Employer" means the Company and its Affiliates.

2.30 Employment. "Employment" means the period or periods during which a Participant is an Employee of the Employer and has not experienced a Separation From Service.

2.31 Equity Plan. "Equity Plan" means the 2006 Equity Incentive Plan, as may be amended from time to time, or such other equity plan of the Company as the Committee may designate from time to time.

2.32 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor act thereto.

2.33 ESRP Share Award. "ESRP Share Award" has the meaning set forth in Section 4.1(b).

2.34 Fair Market Value. "Fair Market Value" of a share of Stock on any given day shall mean closing price per share of Stock on the New York Stock Exchange, on the date as of which such value is being determined or, if there shall be no sale on that date, then on the basis of the closing price per share of Stock on the nearest date before the date on which such value is being determined.

2.35 FICA Amount. "FICA Amount" shall mean the amount of Federal Insurance Contributions Act tax imposed under Sections 3101, 3121(a) and 3121(v)(2) of the Code, where applicable, on compensation under the Plan.

2.36 Final Company Credit. "Final Company Credit" has the meaning set forth in Section 4.1(a)(iii).

2.37 Final Credit Date. "Final Credit Date" has the meaning set forth in Section 4.1(a)(iii).

2.38 Impairment. "Impairment" means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months.

2.39 Investment Earnings/Losses. "Investment Earnings/Losses" means the amounts that would have been realized had an amount deferred hereunder actually been invested in the Investment Option or Options selected by a Participant during the effectiveness of such selections.

2.40 Investment Election Form. "Investment Election Form" means such form or other means designated by the Company from time to time by which a Participant elects the Investment Options in which the Participant's Account is deemed to be invested in accordance with Section 4.2.

2.41 Investment Options. "Investment Options" means the Default Investment Option and such other investment options as selected from time to time by the Committee that are used as hypothetical investment options among which the Participant may allocate all or a portion of his or her Account.

2.42 Normal Retirement. "Normal Retirement" means a Participant's Separation From Service upon or after the Participant's Normal Retirement Age, other than a Separation From Service for Cause.

2.43 Normal Retirement Age. "Normal Retirement Age" means age 65.

2.44 Normal Retirement Date. "Normal Retirement Date" means the date of a Participant's Normal Retirement.

2.45 Operating Group Participant. "Operating Group Participant" means, in respect of a Plan Year, an Active Participant who is identified in the records of the Committee as being a member of the Company's Operating Group during the Plan Year (or a portion thereof) or otherwise designated by the Committee to be a member of the Operating Group.

2.46 Participant. "Participant" means an Active Participant or a Separated Participant (for so long as he or she is receiving a distribution of Supplemental Benefits under the Plan).

2.47 Plan. "Plan" means this State Street Corporation Executive Supplemental Retirement Plan (including the Exhibits and Schedules hereto and the Committee actions referenced herein), as the same may be amended from time to time in accordance with the terms hereof.

2.48 Plan Year. "Plan Year" means the calendar year.

2.49 Prior Plan. "Prior Plan" means the terms of the Plan (formerly known as the "State Street Corporation Supplemental Defined Benefit Pension Plan") in effect immediately prior to the Effective Date, as set forth in the Company's written documentation, rules, practices and procedures applicable to the Plan.

2.50 Reference Date. "Reference Date" means the dates that are 30 days prior to each of the payment dates specified in Section 4.4;provided that if a Reference Date is not a Business Day, such Reference Date shall be deemed to be the immediately following Business Day.

2.51 Retirement. "Retirement" means Normal Retirement or Early Retirement.

2.52 Retirement Date. "Retirement Date" means the date of a Participant's Normal Retirement or Early Retirement, as applicable.

2.53 Schedule. "Schedule" means, in the case of any Participant to whom the "separate rule" provisions of Section 3.2(c) below apply, an attachment to the Plan or a separate action of the Committee duly recorded in the Committee's records that sets forth identifying information concerning the separate rules applicable to such Participant.

2.54 Section 409A. "Section 409A" means Section 409A of the Code and the applicable rulings, regulations and guidance promulgated thereunder, as each may be amended or issued from time to time.

2.55 Section 409A Compliance. "Section 409A Compliance" has the meaning set forth in Section 7.1.

2.56 Separated Participant. "Separated Participant" means an Active Participant who has experienced a Separation From Service, Total Disability or death.

2.57 Separation From Service. "Separation From Service" means a separation from service with the Employer for purposes of Section 409A within the meaning of the default rules of Treasury Regulation Section 1.409A-(h)(1) and correlative terms shall be construed to have a corresponding meaning;provided that in the event that an Active Participant is absent from work due to an Impairment, other than a Total Disability, where such Impairment causes the Participant to be unable to perform the duties of his position or any substantially similar position of employment, the Participant shall incur a Separation From Service 29 months after the date on which the Participant was first Impaired. Notwithstanding the foregoing, if an Active Participant would otherwise incur a Separation From Service in connection with a sale of assets of the Company, the Committee shall retain the discretion to determine whether a Separation From Service has occurred in accordance with Treasury Regulation Section 1.409A-1(h)(4).

2.58 Service. "Service" means a Participant's years (and fraction thereof) of service for vesting and eligibility (as determined under the terms of the Basic Plan as in effect on the Effective Date).

2.59 Spouse. "Spouse" means the individual (if any) who is legally married to the Participant at the time that payment of the Participant's Supplemental Benefits commences or at death if death occurs prior to such benefit commencement date.

2.60 Stock. "Stock" means common stock of the Company, par value $1.00 per share.

2.61 Supplemental Benefits. "Supplemental Benefits" means Supplemental Defined Benefits and/or Supplemental Defined Contribution Benefits.

2.62 Supplemental Defined Benefit. "Supplemental Defined Benefit" means the benefits provided under Exhibit A and Exhibit B to the Plan and any Schedule to the Plan.

2.63 Supplemental Defined Contribution Benefit. "Supplemental Defined Contribution Benefit" means the benefits provided under Article IV of this Plan.

2.64 Top Hat Plan. "Top Hat Plan" means an unfunded plan maintained primarily to provide deferred compensation benefits to a select group of management or highly compensated Employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.65 Total Disability. "Total Disability" or "Totally Disabled" means (i) a Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) a Participant's receipt, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, of income replacement benefits for a period of not less than six months under an accident and health plan covering Employees of the Employer.

2.66 Transition Participant. "Transition Participant means a Continuing Participant (i) who, as of the Effective Date, (x) was at least age 50 and (y) has been employed with the Employer for at least five years as an Executive Vice President (or superior position) or (ii) who is otherwise identified as a Transition Participant in the records of the Committee.

2.67 Treasury Regulations. "Treasury Regulations" means the regulations adopted by the Internal Revenue Service under the Code, as they may be amended from time to time.

ARTICLE 3 Participation.

3.1 Eligibility. Subject to Section 3.2, all Eligible Employees shall participate in the Plan unless the Committee specifies otherwise in a particular case. The Committee may designate other Employees as eligible to participate in the Plan, but only if they are management or highly compensated employees as those terms are used in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

3.2 Participation.

(a) Continuing Participants shall continue to participate under the Plan in accordance with the terms hereof.

(b) Except as otherwise provided by the Committee, each Eligible Employee who became an Eligible Employee on or after January 1, 2007 and who is not a Continuing Participant shall become an Active Participant upon the earlier of the (i) Effective Date and (ii) the effective date of his or her becoming an Eligible Employee.

(c) The Committee may determine that separately applicable rules (or exceptions to the generally applicable rules) (the "separate rules") shall apply to certain Participants. Such Participants and the relevant separate rules are set forth on Exhibits A and B to the Plan and in any Schedules to the Plan. With respect to any such Participant, the separate rules applicable to such Participant shall be treated as part of the Plan, shall be incorporated herein by reference, and shall apply, in a manner that results in Section 409A Compliance, in lieu of the generally applicable rules set forth below to the extent of any inconsistency.

(d) Participation in the Plan as an Active Participant is terminable by the Committee, in its discretion, upon written notice to the Active Participant, and such termination of participation shall be effective as of the date contained therein, but in no event earlier than the date of such notice;provided, however, that such termination of participation may not reduce or adversely affect an Active Participant's accrued benefit for which the Active Participant has satisfied the age and service requirements of Section 3.3 hereunder.

3.3 Age/Service Requirements for Supplemental Benefits Upon Retirement. A Participant shall be eligible to receive a Supplemental Benefit in connection with Retirement only if he or she has (i) attained Early Retirement Age and (ii) satisfied the "rule of 60" (age plus completed years of Service must equal at least 60).

3.4 Supplemental Benefits Upon Death. In the event of an Active Participant's death prior to satisfying the age and service requirement of Section 3.3, the Supplemental Benefits set forth in Section 4.4(b) and, if applicable, Section A.2.4 of Exhibit A, shall be payable to the Participant's designated Beneficiary.

3.5 Supplemental Benefits Upon Total Disability. In the event that an Active Participant becomes Totally Disabled prior to meeting the age and service requirements set forth in Section 3.3, the Supplemental Benefits set forth in Section 4.4(c) and, if applicable, Section A.2.5 of Exhibit A, shall be payable to the Participant.

3.6 Forfeiture.

(a) *Failure to Satisfy Age/Service Requirements*. In the event of a Participant's Separation From Service prior to satisfying the age and service requirements of Section 3.3, such Participant shall forfeit his or her right to receive any and all Supplemental Benefits set forth in this Plan.

(b) *Nonsolicitation/Noncompetition*. Notwithstanding any other provisions hereof, all payments of Supplemental Benefits shall immediately cease and neither Participant nor his or her Spouse, nor any other Beneficiary of the Participant shall receive any benefits hereunder if the Participant, without the prior written consent of the Committee, engages, either directly or indirectly, in any of the activities described in subparagraph (i), (ii) or (iii) below within two years after his or her Separation From Service:

(i) solicitation of the employment or retention of any person whom the Employer has employed or retained during the two-year period prior to the Participant's Separation From Service. For purposes of the foregoing sentence, a person retained by the Employer means anyone who has rendered substantial consulting services to the Employer and has thereby acquired material confidential information concerning any aspect of the Employer's operations;

(ii) any sale, offer to sell or negotiation with respect to orders or contracts for any product or service similar to or competitive with a product or service or any equipment or system containing any such product or service sold or offered by the Employer, other than for the Employer's account, during the two-year period after the Participant's Separation From Service, to or with anyone with whom the Employer has so dealt or anywhere in any state of the United States or in any other country, territory or possession in which the Employer has, during said period, sold, offered or negotiated with respect to orders or contracts for any such product, service, equipment or system; or

(iii) ownership of any direct or indirect interest (other than a less-than-one-percent stock interest in a corporation) in, or affiliation with, or rendering any services for, any person or business entity which engages, during the two-year period after the Participant's Separation From Service, either directly or indirectly, in any of the activities described in subparagraph (i) or (ii) above.

ARTICLE 4 Supplemental Defined Contribution Benefits.

4.1 Company Credits.

(a) *Generally*. For Plan Years commencing on and after the Effective Date, an Active Participant shall be entitled to receive Company Credits as follows:

(i) An Active Participant who was a Participant for an entire Plan Year shall receive a Company Credit in the amount of $200,000 on the Annual Credit Date for the Plan Year to his or her Account.

(ii) An Active Participant who became an Active Participant during a Plan Year pursuant to Section 3.2(b) shall receive for such Plan Year a Company Credit equal to the product of (x) $200,000 and (y) a fraction, the numerator of which is the number of complete calendar months in the Plan Year after the date on which the Active Participant became an Active Participant and the denominator of which is twelve. Such Company Credit shall be credited to the Active Participant's Account on the Annual Credit Date for the relevant Plan Year.

(iii) An Active Participant who becomes a Separated Participant due to Retirement, death or Total Disability during a Plan Year shall receive a Company Credit equal to the product of (x) $200,000 and (y) a fraction, the numerator of which is the number of complete calendar months in the Plan Year prior to (I) the Active Participant's Retirement Date, (II) the date of the Active Participant's death or (III) the date the Active Participant became Totally Disabled, as applicable, and the denominator of which is twelve (a "Final Company Credit"). Such prorated Company Credit shall be credited to the Participant's Account on the last Business Day of the month in which the Participant's Retirement, death or Total Disability occurred (the "Final Credit Date").

For the avoidance of doubt, the first Company Credits under the Plan shall relate to the Plan Year commencing on January 1, 2008.

(b) *Operating Group Participants*. In addition to Company Credits pursuant to Section 4.1(a), an Operating Group Participant shall be entitled to receive the following for Plan Years commencing on and after the Effective Date:

(i) An Active Participant who is an Operating Group Participant for an entire Plan Year shall be granted on the Annual Credit Date for such Plan Year a deferred share unit award under the Equity Plan (an "ESRP Share Award") with a Fair Market Value on such Annual Credit Date equal to $200,000. The terms of the ESRP Share Award shall, in a manner that results in Section 409A Compliance, provide that the award will vest in accordance with Section 4.3 of the Plan and the underlying shares of Stock will be settled to the Operating Group Participant in accordance with Section 4.4 of the Plan, subject, in each case, to Section 7 of the Equity Plan or any successor provision. In addition, the ESRP Share Award shall provide for dividend equivalents. The other terms of the ESRP Share Award shall be governed by the Equity Plan.

(ii) An Active Participant who is an Operating Group Participant for a portion of a Plan Year shall receive an ESRP Share Award with a Fair Market Value on such Annual Credit Date equal to the product of (x) $200,000 and (y) a fraction, the numerator of which is the number of complete calendar months in the Plan Year during which the Active Participant was an Operating Group Participant and the denominator of which is twelve. Such ESRP Share Award shall be granted to the Active Participant on the Annual Credit Date for the relevant Plan Year.

(iii) An Operating Group Participant who becomes a Separated Participant due to Retirement, death or Total Disability during a Plan Year, shall not be entitled to an ESRP Share Award in respect of such Plan Year but instead shall be entitled to receive a second Final Company Credit on the applicable Final Credit Date with a value equal to the Final Company Credit to which he or she is entitled pursuant to Section 4.1(a)(iii) above).

For the avoidance of doubt, the first ESRP Share Award granted in connection with the Plan shall relate to the Plan Year commencing on January 1, 2008.

(c) *Transition Participants*. Notwithstanding Section 4.1(a) and Section 4.1(b) above, Company Credits (including any Final Company Credits) shall not be credited to the Account of a Transition Participant and ESRP Share Awards shall not be granted to a Transition Participant in respect of any period commencing prior to the Freeze Date applicable to the Transition Participant. A Transition Participant shall continue to earn a Supplemental Defined Benefit in accordance with the relevant terms of the Plan (including any Schedules hereto) until the Freeze Date applicable to the Transition Participant.

(d) *Adjustment by Committee*. Notwithstanding anything to the contrary in Section 4.1(a) and 4.1(b) above, the Committee shall have the discretion to adjust, in a manner that results in Section 409A Compliance: (i) the amount of a Company Credit (including any Final Company Credits or ESRP Share Award credited or granted, as applicable, in respect of a Participant's status as an Active Participant or an Operating Group Participant for a portion of a Plan Year); and (ii) the medium of settlement of an ESRP Share Award, in each case, to the extent necessary to avoid adverse tax consequences to an Operating Group Participant; provided,however, that in no event shall such adjustment diminish the economic benefit to the Participant of a Company Credit or an ESRP Share Award without the Participant's consent.

4.2 Accounts.

(a) *Generally*. An Account shall be established and maintained under the Plan on behalf of each Participant. The Account shall track the Company Credits (including any Final Company Credits), Investment Earnings/Losses, distributions or other elections applicable to such accounts. The Account shall have subaccounts, established and maintained as appropriate to reflect the Company Credits and Investment Option(s) selected by the Participant.

(b) *Crediting/Debiting of Account*. A Company Credit (including any Final Company Credits) shall be credited to a Participant's Account in accordance with the Administrative Procedures;provided that a Company Credit shall not be credited or debited with Investment Earnings/Losses prior to the applicable Credit Date for such Company Credit. A Participant's Account shall be credited or debited with Investment Earnings/Losses based upon the Investment Options selected by the Participant pursuant to Section 4.2(c) and in accordance with the Administrative Procedures.

(c) *Election of Investment Options*. A Participant shall elect, in accordance with the Administrative Procedures, one or more Investment Option(s) from a menu of Investment Options provided by the Committee to be used to determine Investment Earnings/Losses credited or debited to his or her Account. A Participant may reallocate the existing balance of his or her Account among the available Investment Options and change Investment Options with respect to future deferrals under the Plan in accordance with the Administrative Procedures. In the event that a Participant fails to select one or more Investment Options for all or a portion of his or her Account (including in the situation where the Investment Option is discontinued and the Participant fails to designate an alternative in accordance with the Administrative Procedures), such amounts shall be deemed invested in the Default Investment Option. Notwithstanding the foregoing, the Final Company Credits credited to the Account of a Participant on the Final Credit Date in connection with his or her death or Total Disability shall not be deemed invested in any Investment Option.

(d) *Investment Options*. The Committee shall select the Investment Options. The Committee shall be permitted to add, remove or change Investment Options, as it deems appropriate;provided that any such addition, deletion or change shall not be effective with respect to any period prior to the effective date of the change. Each Participant, as a condition to his or her participation in the Plan, agrees to indemnify and hold harmless the Committee, the Administrator and the Company, and their agents and representatives, from any losses or damages of any kind relating to the Investment Options made available hereunder.

(e) *Crediting or Debiting Method*. The performance of each elected Investment Option (either positive or negative) will be determined based on the performance of the actual Investment Option. A Participant's Account shall be credited or debited with Investment Earnings/Losses as determined by the Administrator in accordance with the Administrative Procedures. The Administrator shall establish procedures for valuing the balance of a Participant's Account, from time to time, including upon distribution, in accordance with the Administrative Procedures.

(f) *No Actual Investment*. Notwithstanding any other provision of the Plan, the Investment Options are to be used for measurement purposes only, and a Participant's election of any such Investment Options and the crediting or debiting of Investment Earnings/Losses to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such Investment Options. In the event that the Company decides to invest funds in any or all of the Investment Options, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company. The Participant shall at all times remain an unsecured creditor of the Company.

4.3 Vesting.

(a) *Generally*. An Active Participant shall commence vesting in his or her Account on the date that the Active Participant (i) attains Early Retirement Age and (ii) satisfies the rule of 60 under Section 3.3 (the "Account Vesting Commencement Date"). An Active Participant shall vest in a cumulative basis in one-third (33.3%) of his or her Account on the Account Vesting Commencement Date, and each of the Active Participant's first two birthdays immediately subsequent to the Account Vesting Commencement Date. Notwithstanding the foregoing, a Continuing Participant who was first elected an Executive Vice President (or to a superior position) prior to March 1, 2000 shall immediately vest in full in his or her Account on the date such Continuing Participant attains Early Retirement Age.

(b) *Death*. In the event of an Active Participant's death, the Active Participant shall become fully vested in his or her Account effective as of the date of the Active Participant's death.

(c) *Total Disability*. If an Active Participant becomes Totally Disabled, the Active Participant shall become fully vested effective as of the date the Active Participant became Totally Disabled.

4.4 Distribution.

(a) *Retirement*. Upon an Active Participant's Retirement, the vested balance of the Participant's Account shall be payable to the Participant in cash in three installment payments. The amount of each installment payment shall be the amount determined by multiplying the value of a Participant's Account calculated as of the close of business on the applicable Reference Date by a fraction, the numerator of which is one and the denominator of which is the remaining number of payments due to the Participant. The installment payments shall be made on the following dates: (i) the first Business Day after the date that follows the Participant's Retirement Day by six months; (ii) the first anniversary of the Participant's Retirement Date (or if such date is not a Business Day, the immediately following Business Day); and (iii) the second anniversary of the Participant's Retirement Date (or if such date is not a Business Day, the immediately following Business Day).

(b) *Death*.

(i) Upon the death of an Active Participant, the balance of the Active Participant's Account, calculated as of the close of business on the Reference Date, shall be paid to the Active Participant's Beneficiary in a single lump sum cash distribution within 90 days following the date of the Active Participant's death.

(ii) Upon the death of a Separated Participant, the Committee shall commute any or all remaining payments to the Separated Participant's Beneficiary by paying the remaining balance of the Separated Participant's Account, calculated as of the close of business on the Reference Date, in a single lump sum cash distribution within 90 days following the date of the Separated Participant's death.

(c) *Total Disability*. Upon the Total Disability of an Active Participant, the balance of the Active Participant's Account, calculated as of the close of business on the Reference Date, shall be paid to the Active Participant in a single lump sum cash distribution by the later of (i) the end of the calendar year in which the Active Participant becomes Totally Disabled, and (ii) the fifteenth day of the third month following the date on which the Active Participant becomes Totally Disabled,provided the Active Participant has remained Totally Disabled through the date of payment.

ARTICLE 5 Special Payment Rules.

5.1 Delay in Payment. Notwithstanding anything in the Plan to the contrary, neither the Committee nor the Administrator shall have the discretionary authority to delay payment of Supplemental Benefits, except to the extent that the Administrator determines, in its discretion, that any such delay can be effected in a manner that results in Section 409A Compliance (as hereinafter defined). Without limiting the generality of the foregoing, payment of the Supplemental Benefits may be delayed, at the discretion of the Committee or Administrator, to the extent that the Committee or the Administrator reasonably anticipates that (i) if payment were made as scheduled, the Employer's deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code, or (ii) payment of the Supplemental Benefits would violate federal securities laws or other applicable law. Payment of any amount delayed pursuant to this Section 5.1 shall earn interest at the then prevailing applicable federal rate provided for in Section 7872(f)(2)(A) of the Code and made in a manner that results in Section 409A Compliance.

5.2 Acceleration of Payment.

(a) Notwithstanding anything in the Plan to the contrary, neither the Committee nor the Administrator shall have the discretionary authority to accelerate payment of any Supplemental Benefits except as set forth in the remainder of this Section 5.2(a) or to the extent the Committee or the Administrator determines, in its discretion, that any such acceleration may be effected in a manner that results in Section 409A Compliance.

(b) The Administrator may, in a manner that results in Section 409A Compliance, determine to accelerate the time or schedule of a Participant's distribution to pay (i) the FICA Amount and/or (ii) the income tax at source on wages imposed under Section 3401 of the Code or the corresponding withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the FICA Amount (and any additional tax due as a result of such payment). The total amount accelerated under this Section 5.2(b) may not exceed the aggregate of the FICA Amount and the income tax withholding related to such FICA Amount.

(c) The Administrator may, in a manner that results in Section 409A Compliance, determine to accelerate the time or schedule of a Participant's distribution if at any time the Plan, as applicable to such Participant, fails to meet the requirements of Section 409A of the Code and the corresponding Treasury Regulations. Such amount may not exceed the amount required to be included in income as a result of the failure to comply with Section 409A of the Code and the corresponding Treasury Regulations.

5.3 No Suspension of Payment. Notwithstanding anything to the contrary in the Plan, in the event (i) a Separated Participant is subsequently rehired by the Employer or (ii) a Separated Participant who was Totally Disabled subsequently recovers and recommences performing services for the Employer, the payment of such Separated Participant's Supplemental Benefits accrued prior to such Separation From Service or Total Disability shall not be suspended or otherwise delayed.

5.4 Designation of Taxable Year. In no event may any Participant or any Beneficiary designate the taxable year of payment of any Supplemental Benefits. The timing of payment of a Participant's Supplemental Benefits shall be determined by the Committee, in its sole discretion, in accordance with the provisions of the Plan and in a manner that results in Section 409A Compliance.

ARTICLE 6 Administration.

6.1 Authority of the Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan, including Section 7.1, the Committee shall have the discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and to decide or resolve any and all questions, including interpretations of the Plan, that may arise in connection with this Plan. The Committee's powers and duties shall include, but shall not be limited to, permitting the acceleration of vesting in individual cases in its sole and exclusive discretion.

6.2 Agents. In the administration of the Plan, the Committee may, from time to time, employ agents and delegate to such agents such administrative duties as it deems advisable and allowable under the terms of the Plan.

6.3 Decisions Binding. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and any rules or guidelines made in connection with the Plan shall be final, binding and conclusive upon all persons and entities having or claiming any interest in the Plan.

6.4 Indemnity of Committee. The Company shall indemnify and hold harmless the Committee and its individual members against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan.

6.5 Cost of Administration. The Company shall bear all expenses of administration of the Plan.

ARTICLE 7 Amendment and Termination.

7.1 Amendment/Termination of Plan. Subject to Section 7.2 below, the Company hereby reserves the right to amend, modify or terminate the Plan at any time by action of a majority of the members of the Committee. Except as described below in this Article 7, no such amendment or termination shall in any material manner reduce or adversely affect any Participant's accrued benefit without the consent of the Participant. Upon termination of the Plan, payment of a Participant's Supplemental Benefits shall be made in accordance with the terms of the Plan and the elections in effect prior to such termination, unless the Board or the Committee, in its discretion, determines to accelerate payment, and such acceleration may be effected in a manner that will not cause any Participant or Beneficiary to recognize income for U.S. federal income tax purposes prior to the time of a distribution of Supplemental Benefits or to incur interest or additional tax under Section 409A ("Section 409A Compliance").

7.2 Termination of Participant Interests. The Plan is intended to be a Top Hat Plan and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA. Accordingly, subject to Section 7.1 above, the Board may terminate the Plan and commence termination distributions for all or certain Participants, or remove certain Employees as Participants, if it is determined by the United States Department of Labor, or a court of competent jurisdiction, that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. If distribution is commenced pursuant to the operation of this Article 7, the payment of such amounts shall be made consistent with Section 7.1.

ARTICLE 8 Miscellaneous.

8.1 Claims. If a Participant or his or her Beneficiary or the authorized representative of one of the foregoing (hereinafter, the "Claimant") does not receive the timely payment of the benefits which he or she believes are due under the Plan, the Claimant may make a claim for benefits in accordance with the Claims Procedures set forth on Exhibit C to this Plan. Notwithstanding Section 7.1, the Claims Procedures may be amended by the Administrator from time to time.

8.2 Unfunded Plan. It is intended that this Plan's status as a Top Hat Plan shall not be adversely affected by the establishment of any trust pursuant to Section 8.4.

8.3 Unsecured General Creditor. No Participant, nor any Spouse, Domestic Partner or other Beneficiaries of a Participant, shall have any legal or equitable right, interest or claim in any property or assets of the Employer, other than that of an unsecured general creditor of the Employer. Without limiting the generality of the foregoing, no such person shall have any right, claim or interest in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the Employer. Except as provided in Section 8.4, such policies, annuity contracts or other assets of the Employer shall not be held under any trust for the benefit of a Participant, his or her Beneficiaries, heirs, successors or assigns, or held, in any way, as collateral security for the fulfilling of any obligations of the Employer under this Plan. The Employer's assets shall be, and shall remain for purposes of this Plan, the general assets of the Employer. The Employer's obligation under this Plan shall be that of an unfunded and unsecured promise to pay money in the future.

8.4 Trust Fund. At its discretion and in a manner intended to result in Section 409A Compliance, the Employer may establish one or more grantor trusts, with such trustees as the Committee may approve, for the purpose of providing for the payment of benefits under this Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Employer's general creditors in the event of bankruptcy or insolvency of the grantor. To the extent any benefits provided under this Plan are actually paid from any such trust, the Employer shall have no further obligation with respect to the benefits so paid, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Employer.

8.5 Nonassignability. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be nonassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor shall such amounts or rights to such amounts be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.6 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Employer and any Participant, and the Participants (and a Participant's Spouse, Domestic Partner or other Beneficiaries) shall have no rights against the Employer except as may otherwise be specially provided herein. Moreover, nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Employer or to interfere with the right of the Employer to discipline or discharge any Participant at any time.

8.7 Validity. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced, in a manner intended to result in Section 409A Compliance, as if such illegal and invalid provision had never been inserted herein.

8.8 Incompetency. If the Committee determines in its discretion that a payment under the Plan is to be paid to a minor, a person declared incompetent or a person incapable of handling the disposition of such person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

8.9 Successors. The provisions of this Plan shall bind and inure to the benefit of the Employer and its successors and assigns, and the Employer shall require all its successors and assigns to expressly assume its obligations hereunder. The term "successors," as used herein, shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Employer.

8.10 Tax Withholdings. The Employer shall have the right to deduct from payments made pursuant to the Plan amounts sufficient to satisfy federal, state and local income and/or employment tax withholding requirements.

8.11 Governing Law. The provisions of this Agreement shall be construed and interpreted according to the laws of the Commonwealth of Massachusetts except as preempted by federal law.

EXHIBIT A

The terms and conditions in this Exhibit A shall apply to the Supplemental Defined Benefits of Continuing Participants. Except as otherwise defined in this Exhibit A, capitalized terms shall have the meaning given to such terms in Article 2 of the Plan.

Article A.1 Definitions.

A.1.1 Actuarially Equivalent. A benefit is "Actuarially Equivalent" to or the "Actuarial Equivalent" of a benefit payable in a different form or at a different time if the two benefits are of actuarially equivalent value as determined by the Administrator in Section 409A Compliance based upon a computation by an actuary chosen by the Administrator using the actuarial assumptions with respect to the Basic Plan.

A.1.2 Additional Company Benefit. "Additional Company Benefit" means the annual Employer-provided retirement supplemental benefits, in each case expressed in the form of a single life annuity, as determined by the Administrator, that are payable to a Continuing Participant at age 65 under the Additional Company Benefit Plans applicable to the Continuing Participant, if any, determined as follows:

(i) if the Additional Company Benefit Plan is a defined benefit or funded retirement plan, the retirement benefit shall be the Continuing Participant's benefit accrued as of December 31, 2007, where such accrued benefit includes future cost of living increases at 3.25% from December 31, 2007 through age 65 and reduced to an Actuarially Equivalent non-escalating life annuity (where such escalation would be assumed at 3.25%); and

(ii) if the Additional Company Benefit Plan is a defined contribution retirement plan, the retirement benefit shall be a projected benefit at age 65, based on the Continuing Participant's account balance thereunder as of December 31, 2007, assuming 7.0% annual returns, and converted to an age 65 annuity using mortality and interest rates under Section 417(e) of the Code in effect on the applicable Freeze Date.

A.1.3 Additional Company Benefit Plans. "Additional Company Benefit Plans" means the following Employer-sponsored retirement benefit plans and any other Employer-sponsored Company plan so designated by the Committee:

(i) Mandatory Provision Fund – Dresdner RCM MPF Plan (Hong Kong);

(ii) State Street Superannuation Plan (Australia);

(iii) State Street Switzerland Pension Plan for Senior Management; and

(iv) State Street UK Pension & Life Assurance Plan.

A.1.4 Basic Plan Offset. "Basic Plan Offset" means the annual benefit, expressed in the form of a single life annuity as determined by the Administrator payable to a

Continuing Participant from the Basic Plan that is the greater of (i) the Continuing Participant's Grandfathered Benefit (as defined under Section 4.6 of the Basic Plan), if any, thereunder payable at age 65 or (ii) the Continuing Participant's Cash Balance Benefit (as defined under the Basic Plan) based on the Continuing Participant's account balance as of December 31, 2007 projected to age 65, assuming a 5% interest rate, and converted to an age 65 annuity using mortality and interest rates under Section 417(e) of the Code in effect on the Freeze Date;provided,however, that the Cash Balance Account of a Transition Participant under the foregoing clause (ii) shall be increased on a notional basis until the Freeze Date applicable to the Transition Participant by deemed Basic Credits (as defined under the Basic Plan) that would have been contributed to the Cash Balance Account of the Transition Participant pursuant to Section 4.4 of the Basic Plan had the Basic Plan not been frozen and credited with 5% interest. For the avoidance of doubt, any Basic Credits under Section 4.4(b) of the Basic Plan credited to the Cash Balance Account of a Continuing Participant shall not be included in the Basic Plan Offset.

A.1.5 Earnings. "Earnings" means the following:

(a) For years prior to 2007, a Continuing Participant's annualized rate of base salary as of January 1 of that year and annual incentive compensation under the Employer's annual incentive plan relating to performance in the prior fiscal year, regardless of when paid.

(b) For 2007 and any year thereafter including the applicable Freeze Date, a Continuing Participant's annualized rate of base salary as of January 1 of that year and annual incentive compensation awards under the incentive plan applicable to the Continuing Participant relating to performance in the prior fiscal year and, in the case of members of the Operating Group, the annual incentive compensation awarded or paid under the Senior Executive Annual Incentive Plan ("SEAIP") or any successor thereto, regardless of whether or when awarded or paid.

(c) In lieu of other amounts, the calculation of the amount of annual incentive award to be included for purposes of determining "Earnings" through January 1, 2008, with respect to a Continuing Participant who was employed by SSgA in an SSgA Plan shall be the lesser of (i) his or her actual annual incentive cash bonus or (ii) the percentage of base pay earned for the respective year as determined by the Administrator and recorded in the records of the Company.

(d) For the avoidance of doubt, prior to January 1, 2007, "Earnings"shall not include any long-term incentive awards.

A.1.6 Final Average Earnings. "Final Average Earnings" means, for any Continuing Participant, the average annual Earnings amount obtained by averaging the Continuing Participant's Earnings over the five-consecutive-year period during the last ten years of such Continuing Participant's Employment ending with the applicable Freeze Date which yields the highest such annual average. A Continuing Participant's annual Earnings after the applicable Freeze Date shall not be taken into account for any purpose under the Plan.

A.1.7 Freeze Date. “Freeze Date” means (i) with respect to a Continuing Participant other than a Transition Participant, the Effective Date; and (ii) with respect to a Transition Participant, (x) January 1, 2010 or (y) such other date as may be specified in a schedule to this Exhibit A.

A.1.8 Indexing End Date. “Indexing End Date” means, with respect to a Continuing Participant, the first to occur of (i) the date of the Continuing Participant’s Separation From Service, Total Disability or death or (ii) December 31, 2017.

A.1.9 MSRP Benefit. “MSRP Benefit” means the annual retirement supplemental benefits, expressed in the form of a single life annuity as determined by the Administrator, that are payable to a Continuing Participant under the State Street Corporation Management Supplemental Retirement Plan (the “MSRP”) of (i) the Continuing Participant’s Grandfathered Benefit (as provided under the MSRP), if any, thereunder payable at age 65 or (ii) the Continuing Participant’s Cash Balance Account (as provided under the MSRP) based on the Continuing Participant’s account balance as of December 31, 2007 projected to age 65, assuming a 5% interest rate, and converted to an age 65 annuity using mortality and interest rates under Section 417(e) of the Code in effect the applicable Freeze Date;provided,however, that the Cash Balance Account of a Transition Participant under the foregoing clause (i) shall be increased on a notional basis until the Freeze Date applicable to the Transition Participant by deemed Basic Credits (as provided under the MSRP) that would have been contributed to the Cash Balance Account of the Transition Participant had the MSRP not been frozen and credited with 5% interest.

A.1.10 Other Retirement Income. “Other Retirement Income” means the sum of the following:

(a) the Basic Plan Offset; plus

(b) the MSRP Benefit; plus

(c) any Additional Company Benefit; plus

(d) any retirement income payable under plans of a Continuing Participant’s employers other than the Employer, as identified by the Administrator and recorded in the records of the Company in accordance with the Administrative Procedures and expressed in the form of a single life annuity, as determined by the Administrator in a manner that results in Section 409A Compliance.

A.1.11 SSgA. “SSgA” means the State Street Global Advisors business unit of the Company.

A.1.12 SSgA Plans. “SSgA Plans” means the SSgA annual incentive plan for each of the years 2003, 2004, 2005, 2006 and 2007.

Article A.2 Supplemental Defined Benefits.

A.2.1 Eligibility for Supplemental Defined Benefits.

(a) A Participant is eligible to receive a Supplemental Defined Benefit under the Plan only if he or she is a Continuing Participant. No Eligible Employee (i) who was not a Continuing Participant on December 31, 2007 or (ii) who is hired or rehired by the Employer on or after the Effective Date shall become eligible to receive a Supplemental Defined Benefit.

(b) Effective as of the applicable Freeze Date, the Supplemental Defined Benefit of a Continuing Participant shall be frozen such that (i) any annual Earnings of a Continuing Participant after the applicable Freeze Date shall not be taken into account for any purpose under the Plan and (ii) no additional Supplemental Defined Benefit shall accrue on or after the applicable Indexing End Date on behalf of a Continuing Participant or any other individual.

A.2.2 Normal Retirement. Subject to the terms of the Plan (including this Exhibit A and Exhibit B), the annual Supplemental Defined Benefit payable to a Continuing Participant in connection with Normal Retirement, expressed as a single life annuity commencing at the later of (i) Normal Retirement Age or (ii) the Continuing Participant's Normal Retirement Date, shall equal either (a) or (b) below, whichever shall be applicable, minus (c) below, increased by the factors in (d) below, and adjusted pursuant to (e) below:

(a) For a Continuing Participant who was first elected an Executive Vice President (or to a superior position) prior to March 1, 2000, 50% of the Continuing Participant's Final Average Earnings.

(b) For a Continuing Participant who was first elected an Executive Vice President (or to a superior position) on or after March 1, 2000, 2.5% of the Participant's Final Average Earnings multiplied by the Continuing Participant's years of Service prior to the applicable Freeze Date, but not more than 20 years of such Service, shall be taken into account.

(c) Other Retirement Income, as accrued or as deemed to be accrued under the respective plans as of the earlier to occur of (i) the Freeze Date and (ii) the date of the Continuing Participant's Separation From Service.

(d) Three percent for each whole calendar year following the applicable Freeze Date until the Continuing Participant's Indexing End Date, plus an additional amount equal to the product of (i) the excess of whole calendar months elapsed prior to the Indexing End Date for the Plan Year in which the Indexing End Date occurs over twelve and (ii) 3%.

(e) Where the pre-offset benefit is determined under (b), the benefit amount determined by subtracting (c) from (b) and increased by (d) (the "unadjusted benefit") shall be multiplied by (A) one-third (33.3%) if the Continuing Participant's Separation From Service is prior to attainment of his or her birthday next following the date (the "age/service eligibility date") on which the Continuing Participant first satisfied the age and service requirements of Section 3.3 of the Plan; (B) two-thirds (66.7%) if the Continuing Participant's Separation From Service is on or after attainment of such first birthday following the age/service eligibility date, but before attainment of his or her second birthday following such date; and (C) one (100%) in every other case.

A.2.3 Early Retirement.

(a) Subject to the terms of the Plan (including this Exhibit A and Exhibit B), the annual Supplemental Defined Benefit payable in connection with Early Retirement to a Continuing Participant who on January 1, 2005 had reached the age of 55, completed ten years of Service and previously been elected an Executive Vice President (or to a superior position), expressed as a single life annuity commencing as of the Continuing Participant's Early Retirement Date, shall equal (i) reduced by the factors in (ii), and further where:

(i) the supplemental benefit determined under Section A.2.2 above, reduced by:

(ii) the sum of (A) and (B) below:

(A) .0833% for each whole calendar month by which the Continuing Participant's Early Retirement Date commencement precedes his or her 65^{th} birthday, excluding any period prior to the Continuing Participant's 60^{th} birthday; and

(B) .2083% for each whole calendar month by which the Continuing Participant's Early Retirement Date precedes his or her 60^{th} birthday.

(b) Subject to the terms of the Plan (including this Exhibit A and Exhibit B), the annual Supplemental Defined Benefit in connection with Early Retirement of a Continuing Participant who as of January 1, 2005 had not both reached the age of 55 and completed ten years of Service, expressed as a single life annuity commencing as of the Continuing Participant's Early Retirement Date, shall equal the benefit determined under A.2.3(a) above except that in lieu of the reductions described in Section A.2.3(a)(ii) above, the Supplemental Defined Benefit determined under Section A.2.2 above shall be reduced by 0.25% for each whole calendar month by which the Continuing Participant's Early Retirement Date precedes his or her 65^{th} birthday.

(c) Notwithstanding the above, with respect to a Transition Participant, if Early Retirement occurs prior to the applicable Freeze Date, the reductions in (a) and (b) will apply to the pre-offset benefit as defined in A.2.2(a) and A.2.2(b) and the offsets for Other Retirement Income as defined in A.2.2(c) will be computed on an early retirement basis in accordance with the provisions of the plan or plans providing such Other Retirement Income;provided, however, that if such Additional Company Benefit Plan (or Additional Company Benefit Plans) does/do not contain provisions for early retirement, or such provisions are not ascertainable as of the date of determination, the Committee shall determine the actuarial equivalence basis to be used for such purpose. For this purpose, the Basic Plan and MSRP Cash Balance Accounts will be increased on a notional basis from December 31, 2007 until Early Retirement by deemed Basic Credits that would have been contributed to the Cash Balance Accounts of the Transition Participant had the Basic Plan and MSRP not been frozen and credited with 5% interest through Early Retirement. The offsets so computed will be subtracted from the reduced preoffset benefit.

A.2.4 Death Before Retirement Eligibility. If a Continuing Participant dies under the circumstances described in Section 3.4, a Supplemental Defined Benefit shall be paid to his or her designated Beneficiary which equals the amount derived by multiplying (a) times (b) times (c), where (a) equals the net amount calculated under either Section A.2.2, as if the Continuing Participant's Normal Retirement Date was the date of his or her death (determined without the adjustments described in Section A.2.2(e)); (b) equals a fraction of which the numerator is the sum of the Continuing Participant's age at his or her date of death plus the number of completed years of Service prior to the applicable Freeze Date and the denominator is 85; and (c) equals 50%. Payment shall be made in an Actuarially Equivalent single lump sum cash distribution within 90 days following the date of the Continuing Participant's death.

A.2.5 Total Disability Before Retirement Eligibility. If a Continuing Participant becomes Totally Disabled as described in Section 3.5, a Supplemental Defined Benefit shall be paid to him or her equal to the product of (a) and (b) where (a) equals the amount calculated under either Section A.2.2, as if the Continuing Participant's Normal Retirement Date was on the date on which he or she became Totally Disabled (determined without the adjustments described in Section A.2.2(e)), and (b) equals a fraction the numerator of which is the sum of the Continuing Participant's age at the date he or she became Totally Disabled plus the number of completed years of Service prior to the applicable Freeze Date and the denominator of which is 85. A Continuing Participant's Supplemental Defined Benefit shall be paid in cash in three equal installment payments, which in the aggregate, are the Actuarial Equivalent of the Supplemental Defined Benefit as of the Continuing Participant's Total Disability Date,provided the Continuing Participant has remained Totally Disabled through the first date of payment. The first installment payment shall be made by the later of (A) the end of the calendar year in which the Continuing Participant becomes Totally Disabled and (B) the 15th day of the third month following the date on which the Continuing Participant becomes Totally Disabled, and the remaining installment payments shall be made on the first and second anniversaries of the first installment payment date,provided that if any such payment date is not Business Day, payment shall be made on the immediately following Business Day.

A.2.6 Distribution Following Retirement Eligibility.

(a) *Retirement*. In the event of a Continuing Participant's Retirement after satisfying the age and service requirements of Section 3.3, a Continuing Participant's Supplemental Defined Benefit shall be paid in cash in three equal installment payments which, in the aggregate, are the Actuarial Equivalent of the Supplemental Defined Benefit as of the Continuing Participant's Retirement Date. The installment payments shall be made on the following dates: (i) the first Business Day after the date that follows the Participant's Retirement Date by six months; (ii) the first anniversary of the Continuing Participant's Retirement Date (or if such date is not a Business Day, the immediately following Business Day); and (iii) the second anniversary of the Continuing Participant's Retirement Date (or if such date is not a Business Day, the immediately following Business Day).

(b) *Death*.

(i) *Death Benefits*. Upon the death of a Continuing Participant after satisfying the age and service requirements of Section 3.3, but before commencement of benefit payments, a death benefit shall be payable to the Continuing Participant's designated Beneficiary. The amount of such death benefit shall be the Actuarial Equivalent of 50% of the Continuing Participant's Supplemental Defined Benefit calculated pursuant to Section A.2.2 (determined without the adjustments described in Section A.2.2(e)), payable as an Actuarially Equivalent single lump sum cash distribution within 90 days following the date of the Continuing Participant's death.

(ii) *Commutation Due to Death*. Upon the death of a Continuing Participant who is receiving the distribution of his or her accrued Supplemental Defined Benefit pursuant to Section A.2.6(a), the Committee shall commute any or all remaining payments by paying the remainder of the accrued Supplemental Defined Benefit to the Continuing Participant's Beneficiary in an Actuarially Equivalent single lump sum cash distribution within 90 days following the date of the Continuing Participant's death.

(c) *Total Disability*. Upon the Total Disability of a Continuing Participant after satisfying the age and service requirements of Section 3.3 but before commencement of benefit payments, a Continuing Participant's Supplemental Defined Benefit shall be paid in cash in three equal installment payments, which in the aggregate are the Actuarial Equivalent of the Supplemental Defined Benefit as of the Continuing Participant's Total Disability Date,provided the Continuing Participant has remained Totally Disabled through the date of payment. The first installment payment shall be made by the later of (A) the end of the calendar year in which the Continuing Participant becomes Totally Disabled and (B) the 15th day of the third month following the date on which the Continuing Participant becomes Totally Disabled, and the remaining installment payments shall be made on the first and second anniversaries of the first installment payment date,provided that if any such payment date is not Business Day, payment shall be made on the immediately following Business Day.

EXHIBIT B

Schedule 1 (2005 Restatement)

Section 3.2(c) Separate Rules Applicable to J. Hooley

Status:	Active
Participation Date:	September 1, 2000
Section A.2.2	Subject to the terms of the Plan, Exhibit A, and the Special Benefit hereafter described, the supplemental benefit under Section A.2.2 of the Plan shall be the benefit set forth in this Schedule 1 of Exhibit B.
Supplemental Defined Benefit at Normal Retirement:	
Special Benefit:	The Participant's Special Benefit under the Plan and Exhibit A shall be equal to his cash balance account benefit which shall consist of an opening cash balance account in the sum of $500,000 as of September 1, 2000 and earnings credited thereafter in the same percentage and in the same manner as though such cash balance account were provided under the terms of the Basic Plan. There shall be no additional contributions to this "cash balance account." If the Participant's benefit under the Plan is subsequently determined under the generally applicable rules of the Plan, the value of the Special Benefit set forth above shall be payable in addition to such generally applicable Plan benefit. The Special Benefit is in addition to any Supplemental Benefits under the Plan and Exhibit A.
Section A.2.2(e)	The offset for Other Retirement Income is not applicable to the Special Benefit pursuant to this Schedule 1 of Exhibit B.
Applicability:	
Age/Service	The Participant's prior years of service with the Employer as well as the Participant's years of service with Boston Financial Data Services shall be considered as Service hereunder.
Requirements:	
	The age and service requirements to qualify for a benefit set forth in Section A.2.2 of the Plan above are as follows: (1) The Service requirement of completion of ten full years of Employment is satisfied by the recognition of prior Service above. (2) There is no age requirement to qualify for the Special Benefit pursuant to this Schedule 1 of Exhibit B.

EXHIBIT B

Schedule 2 (2008 Restatement)

<u>Section 3.2(c) Separate Rules for Edward Resch</u>

Status:	Active
Participation Date:	January 1, 2003
Freeze Date:	For purposes of the Plan, the Freeze Date applicable to the Participant is December 31, 2010.
Section A.2.2 Supplemental Defined Benefit at Normal Retirement:	Subject to the terms of the Plan and Exhibit A, the maximum Supplemental Defined Benefit under Section A.2.2 of the Plan before offsets shall be equal to 20% of the Participant's Final Average Earnings.
Section A.2.3 Supplemental Defined Benefit at Early Retirement:	The Participant's Supplemental Defined Benefit shall be determined under Section A.2.3(a) of the Plan. Subject to the terms of the Plan and Exhibit A, the maximum Supplemental Defined Benefit under Section A.2.3 of the Plan before offsets shall be equal to 20% of the Participant's Final Average Earnings.
Section A.2.2(c) Applicability:	The offset for Other Retirement Income is applicable to the benefit under Section A.2.2 of the Plan.

EXHIBIT C

CLAIMS PROCEDURES
STATE STREET CORPORATION
DEFERRED COMPENSATION PLAN CLAIMS PROCEDURES

(Amended and Restated Effective January 1, 2008)

These Claims Procedures for filing and reviewing claims have been established and adopted for the State Street Corporation Executive Supplemental Retirement Plan (the "Plan") and are intended to comply with Section 503 of ERISA and related Department of Labor regulations. These amended and restated Claims Procedures are effective for claims made under the Plan on or after January 1, 2008.

1. In General. Any employee or former employee, or any person claiming to be a beneficiary with respect to such a person, may request, with respect to the Plan:

a) a benefit payment,

b) a resolution of a disputed amount of benefit payment, or

c) a resolution of a dispute as to whether the person is entitled to the particular form of benefit payment.

A request described above and filed in accordance with these Procedures is a *claim*, and the person on whose behalf the claim is filed is a *claimant*. A claim must relate to a benefit which the claimant asserts he or she is already entitled to receive or will become entitled to receive within one year following the date the claim is filed.

2. Effect on Benefit Requests in Due Course. The Plan has established procedures for benefit applications, selection of benefit forms, and designation of beneficiaries, determination of qualified domestic relations orders, and similar routine requests and inquiries relating to the operation of the Plan.

3. Filing of Claims.

a) Each claim must be in writing and delivered by hand or first-class mail (including registered or certified mail) to the Administrator, at the following address:

GHR U.S. Benefits Planning
State Street Corporation
c/o Vice President, GHR-U.S. Benefits Planning
2 Avenue de Lafayette, LCC 1E

Boston, MA 02111-1724

A claim must clearly state the specific outcome being sought by the claimant.

b) The claim must also include sufficient information relating to the identity of the claimant and such other information reasonably necessary to allow the claim to be evaluated.

c) In no event may a claim for benefits be filed by a Claimant more than 120 days after the applicable "Notice Date," as defined below.

i) In any case where benefits are paid to the Claimant as a lump sum, the Notice Date shall be the date of payment of the lump sum.

ii) In any case where benefits are paid to the Claimant in the form of an annuity or installments, the Notice Date shall be the date of payment of the first installment of the annuity or payment of first installment.

iii) In any case where the Plan (prior to the filing of a claim for benefits) determines that an individual is not entitled to benefits (for example (without limitation) where an individual terminates employment and the Plan determines that he has not vested) and the Plan provides written notice to such person of its determination, the Notice Date shall be the date of the individual's receipt of such notice.

iv) In any case where the Plan provides an individual with a written statement of his account as of a specific date or the amounts credit to, or charged against, his account within a specified period, the Notice Date with regard to matters described in such statement shall be the date of the receipt of such notice by such individual (or beneficiary).

4. Processing of Claims. A claim normally shall be processed and determined by the Administrator within a reasonable time (not longer than 90 days) following actual receipt of the claim. However, if the Administrator determines that additional time is needed to process the claim and so notifies the claimant in writing within the initial 90-day period, the Administrator may extend the determination period for up to an additional 90 days. In addition, where the Administrator determines that the extension of time is required due to the failure of the claimant to submit information necessary in order to determine the claim, the period of time in which the claim is required to be considered pursuant to this Paragraph 4 shall be tolled from the date on which notification of the extension is sent to the claimant until the date on which the claimant responds to the request for additional information. Any notice to a claimant extending the period for considering a claim shall indicate the circumstances requiring the extension and the date by which the Administrator expects to render a determination with respect to the claim. The Administrator shall not process or adjudicate any claim relating specifically to his or her own benefits under the Plan.

5. Determination of Claim. The Administrator shall inform the claimant in writing of the decision regarding the claim by registered or certified mail posted within the time period described in Paragraph 4. The decision shall be based on governing Plan documents. If there is an adverse determination with respect to all or part of the claim, the written notice shall include:

a) the specific reason or reasons for the denial,

b) reference to the specific Plan provisions on which the denial is based,

c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary,

d) reference to and a copy of these Procedures, so as to provide the claimant with a description of the relevant Plan's review procedures and the time limits applicable to such procedures, a description of the claimant's rights regarding documentation as described in Paragraph 9, and

e) a statement of the claimant's rights under Section 502(a) of ERISA to bring a civil action with respect to an adverse determination upon review of an appeal filed under Paragraph 6.

For purposes of these Procedures, an *adverse determination* shall mean determination of a claim resulting in a denial, reduction, or termination of a benefit under a Plan, or the failure to provide or make payment (in whole or in part) of a benefit or any form of benefit under a Plan. Adverse determinations shall include denials, reductions, etc., based on the claimant's lack of eligibility to participate in the relevant Plan. All decisions made by the Administrator under these Procedures shall be summarized in a report to be maintained in the files of the Administrator. The report shall include reference to the applicable governing Plan provision(s) and, where applicable, reference to prior determinations of claims involving similarly situated claimants.

6. Appeal of Claim Denials – Appeals Committee. A claimant who has received an adverse determination of all or part of a claim shall have 60 days from the date of such receipt to contest the denial by filing an *appeal*. An appeal must be in writing and delivered to the Administrator. An appeal will be considered timely only if actually received by the Administrator within the 60-day period or, if sent by mail, postmarked within the 60-day period. The timely review will be completed by the Appeals Committee and should be sent to:

Appeals Committee
State Street Corporation
c/o Vice President, GHR-U.S. Benefits Planning
2 Avenue de Lafayette, LCC 1 E

Boston, MA 02111-1724

The Appeals Committee shall meet at such times and places as it considers appropriate, shall keep a record of such meetings and shall periodically report its deliberations to the Administrator. Such reports shall include the basis upon which the appeal was determined and, where applicable, reference to prior determinations of claims involving similarly situated claimants. The vote of a majority of the members of the Appeals Committee shall decide any question brought before the Appeals Committee.

7. Consideration of Appeals. The Appeals Committee shall make an independent decision as to the claim based on a full and fair review of the record. The Appeals Committee shall take into account in its deliberations all comments, documents, records and other information submitted by the claimant, whether submitted in connection with the appeal or in connection with the original claim, and may, but need not, hold a hearing in connection with its consideration of the appeal. The Appeals Committee shall consider an appeal within a reasonable period of time, but not later than 60 days after receipt of the appeal, unless the Appeals Committee determines that special circumstances (such as the need to hold a hearing) require an extension of time. If the Appeals Committee determines that an extension of time is required, it will cause written notice of the extension, including a description of the circumstances requiring an extension and the date by which the Appeals Committee expects to render the determination on review, to be furnished to the claimant before the end of the initial 60-day period. In no event shall an extension exceed a period of 60 days from the end of the initial period; *provided*, that in the case of any extension of time required by the failure of the claimant to submit information necessary for the Appeals Committee to consider the appeal, the period of time in which the appeal is required to be considered under this Paragraph 7 shall be tolled from the date on which notification of the extension is sent to the claimant until the date on which the claimant responds to the Appeals Committee's request for additional information.

8. Resolution of Appeal. Notice of the Appeals Committee's determination with respect to an appeal shall be communicated to the claimant in writing by registered or certified mail posted within the time period described in Paragraph 7. If the determination is adverse, such notice shall include:

a) the specific reason or reasons for the adverse determination,

b) reference to the specific plan provisions on which the adverse determination was based,

c) reference to and a copy of these Procedures, so as to provide the claimant with a description of the claimant's rights regarding documentation as described in Paragraph 9, and

d) a statement of the claimant's rights under Section 502(a) of ERISA to bring a civil action with respect to the adverse determination.

9. Certain Information. In connection with the determination of a claim or appeal, a claimant may submit written comments, documents, records and other information relating to the claim and may request (in writing) copies of any documents, records and other information relevant to the claim. An item shall be deemed relevant to a claim if it:

a) was relied on in determining the claim,

b) was submitted, considered or generated in the course of making such determination (whether or not actually relied on), or

c) demonstrates that such determination was made in accordance with governing Plan documents (including, for this purpose, these Procedures) and that, where appropriate, Plan provisions have been applied consistently with similarly situated claimants.

The Administrator shall furnish free of charge copies of all relevant documents, records and other information so requested; *provided*, that nothing in these Procedures shall obligate the Company, the Administrator, or any person or committee to disclose any document, record or information that is subject to a privilege (including, without limitation, the attorney-client privilege) or the disclosure of which would, in the Administrator's judgment, violate any law or regulation.

10. Rights of a Claimant Where Appeal is Denied.

a) The claimant's actual entitlement, if any, to bring suit and the scope of and other rules pertaining to any such suit shall be governed by, and subject to the limitations of, applicable law, including ERISA. By extending to an employee or former employee the right to file a claim under these Procedures, neither the Company nor any person or committee appointed as Administrator acknowledges or concedes that such individual is a participant in any particular Plan within the meaning of such Plan or ERISA, and reserves the right to assert that an individual is not a participant in any action brought under Section 502(a).

b) In no event may any legal proceeding regarding entitlement to benefits or any aspect of benefits under the Plan be commenced later than the earliest of:

i) two years after the applicable Notice Date; or

ii) one year after the date a claimant receives a decision from the Appeals Committee regarding his appeal; or

iii) the date otherwise prescribed by applicable law.

c) Before any legal proceeding can be brought, a participant must exhaust the claim appeals procedures as set forth herein.

11. Special Rules Regarding Disability. Certain benefits under the Plans are contingent upon an individual's incurring a disability. Where a claim requires a determination by the Company as to whether an individual is "disabled" as defined under the Plan, the additional rules set forth in Schedule 1 to these Procedures shall apply to the claim. However, where disabled status is based upon actual entitlement to benefits under a separate plan in which the individual participates or is otherwise covered, the determination of such status for purposes of each Plan shall be made under such separate disability plan, and any claims or disputes as to disabled status under such plan or program shall be resolved in accordance with the procedures established for that purpose under the separate plan or program.

12. Authorized Representation. A claimant may authorize an individual to represent him/her with respect to a claim or appeal made under these Procedures. Any such authorization shall be in writing, shall clearly identify the name and address of the individual, and shall be delivered to the Plan Administrator at the address listed in Paragraph 3. On receipt of a letter of authorization, all parties authorized to act under these Procedures shall be entitled to rely on such authorization, until similarly revoked by the claimant. While an authorization is in effect, all notices and communications to be provided to the claimant under these Procedures shall also be provided to his/her authorized representative.

13. Form of Communications. Unless otherwise specified above, any claim, appeal, notice, determination, request, or other communication made under these Procedures shall be in writing, with original signed copy delivered by hand or first class mail (including registered or certified mail). A copy or advance delivery of any such claim, appeal, notice, determination, request, or other communication may be made by electronic mail or facsimile. Any such electronic or facsimile communication, however, shall be for the convenience of the parties only and not in substitution of a writing required to be mailed or delivered under these Procedures, and receipt or delivery of any such claim, appeal, notice, determination, request, or other written communication shall not be considered to have been made until the actual posting or receipt of original signed copy, as the case may be.

14. Reliance on Outside Counsel, Consultants, etc. The Administrator and the Appeals Committee may rely on or take into account advice or information provided by such legal, accounting, actuarial, consulting or other professionals as may be selected in determining a claim or appeal, including those individuals and firms that may render advice to the Company or the Plans from time to time.

Exhibit 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AGREEMENT by and between State Street Corporation, a Massachusetts corporation (the "Company"), and__________ ___________ (the "Executive"), dated as of the__ day of__________, 2008.

The Board of Directors of the Company (the "Board") determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes, and continues to believe, that it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company Group (as defined below) currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board caused the Company to enter into an employment agreement with the Executive (the "Employment Agreement").

The Board and the Executive now wish to amend and to restate the Employment Agreement to ensure that it satisfies the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and to make certain other changes deemed desirable by the Board and the Executive.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1.Restatement of Employment Agreement. The Employment Agreement is hereby amended, restated and superseded in its entirety by this Agreement, effective as of January 1, 2008.

2.Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 2(b) hereof) on which a Change of Control (as defined in Section 3 hereof) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company Group is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on December 31, 2009;provided, however, that commencing on December 31, 2008, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) The "Company Group" shall mean the Company and any company controlled by, controlling or under common control with the Company.

3.Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities");provided,however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 3; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board;provided,however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

4.Employment Period. The Company hereby agrees to continue the Executive in the employ of the Company Group, and the Executive hereby agrees to remain in the employ of the Company Group, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

5.Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company Group and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company Group in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company Group.

(b)Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to 12 times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company

Group in respect of the 12-month period immediately preceding the month in which the Effective Date occurs. Such Annual Base Salary shall be payable as earned in equal installments, no less frequently than monthly, pursuant to the Company Group's customary payroll policies applicable to the Executive in force at the time of payment, less any required or authorized payroll deductions, and unless the Executive shall elect to defer the receipt of a portion of such Annual Base Salary in accordance with the requirements of Section 409A of the Code. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as so increased.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the product of the Annual Base Salary and the percentage of base salary actually awarded to the Executive under the Company's Senior Executive Annual Incentive Plan or any successor plan in effect from time to time for the last full fiscal year prior to the Effective Date (or in the event that the Executive was not employed by the Company during such fiscal year or was otherwise not a participant in such plan, 500%) (the "Recent Annual Bonus Percentage"). Each such Annual Bonus shall be paid no later than March 15th of the year succeeding the year for which the Annual Bonus is earned, unless the Executive shall elect to defer receipt of such Annual Bonus in accordance with the requirements of Section 409A of the Code.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company Group, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company Group for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company Group in the country in which the Executive is employed. To the extent applicable, the benefits provided to the Executive pursuant to this Section 5(b)(iii) shall be provided and paid in compliance with the relevant requirements of Section 409A of the Code.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company Group (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company Group, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company Group in the country in which the Executive is employed. To the extent applicable, the benefits provided to the Executive pursuant to this Section 5(b)(iv) shall be provided and paid in compliance with the relevant requirements of Section 409A of the Code.

(v)Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company Group in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed. Reimbursement shall be made as soon as practicable after a request for reimbursement is received by the Company Group, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred.

(vi)Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company Group in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed. Reimbursements or payments shall be made as soon as practicable after a request for reimbursement or payments is received by the Company Group, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred;provided that the amount of any fringe benefits to be reimbursed or paid by the Company Group in one year shall not affect any fringe benefits to be reimbursed or paid by the Company Group in any other calendar year.

(vii)Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company Group at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed.

(viii)Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company Group as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed.

6. Termination of Employment. For purposes of this Agreement, the terms "terminate," "terminated" and "termination" mean a termination of the Executive's employment that constitutes a "separation from service" within the meaning of the default rules of Section 409A of the Code; provided, however, that for purposes of determining which entities are treated as a single "service recipient" with the Company, the phrase "at least 80 percent" shall be retained in each place it appears in Sections 1563(a)(1), (2) and (3) of the Code and Section 1.414(c)-2 of the Treasury Regulations, as permitted under Section 1.409A-1(h)(3) of the Treasury Regulations; and provided further that in the event that the Executive is absent from work due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months (an "Impairment"), where such Impairment causes the Executive to be unable to perform the duties of his position or any substantially similar position of employment, the Executive shall incur a separation from service 29 months after the date on which the Executive was first Impaired.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 15(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company Group shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"); provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company Group on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company Group (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company who is a member of the Company's executive management committee or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c)Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 5(a) of this Agreement, or any other action by the Company Group which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company Group promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company Group to comply with any of the provisions of Section 5(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 5(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company Group of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 14(c) of this Agreement.

For purposes of this Section 6(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the 180th day after the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d)Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e)Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination; and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

7.Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

(A) the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any earned Annual Bonus in respect of the fiscal year ended immediately prior to the Date of Termination to the extent not theretofore paid, (3) the product of (x) the Recent Annual Bonus Percentage and (y) the Executive's Annual Base Salary and (z) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (4) any accrued vacation pay, to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligations"); and

(B) the amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) an amount equal to the sum of the Company Group contributions to (i) the Company Group tax favored defined contribution retirement plans applicable to the Executive and (ii) the State Street Corporation Management Supplemental Savings Plan or any successor plan (the "Supplemental Savings Plan") for the most recent full fiscal year and (z) the product of (i) the Recent Annual Bonus Percentage and (ii) the Annual Base Salary; and

(C) an amount equal to the excess of (a) the actuarial equivalent of the benefit under the Company Group's tax favored defined benefit or funded retirement plans applicable to the Executive (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Retirement Plan immediately prior to the Effective Date), and any excess or supplemental defined benefit pension plan or funded retirement plan in which the Executive participates immediately prior to the Effective Date (collectively, the "SERP") which the Executive would receive under the terms thereof as in effect immediately prior to the Effective Date, if the Executive's employment continued for three years after the Date of Termination assuming that the Executive's compensation in each of the three years is that required by Section 5(b)(i) and Section 5(b)(ii), over (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination; provided that for purposes of calculating the payment pursuant to this subparagraph 7(a)(i)(C): (I) in the event that the Effective Date occurs on or prior to the "Freeze Date" applicable to the Executive under the State Street Corporation Executive Supplemental Retirement Plan as in effect immediately prior to the Effective Date (the "ESRP"), the final average pay formula applicable to the Executive thereunder (without regard to any limitation or caps on the ESRP benefit under such formula) shall be taken into account and (II) in the event that the Effective Date occurs after the Freeze Date applicable to the Executive under the ESRP, the final average pay formula applicable to, and any defined benefit pension benefit payable to, the Executive thereunder shall not be taken into account (notwithstanding, in each of (I) and (II), whether such formula would continue to apply under the terms of the ESRP had the Executive's employment continued for three years following the Date of Termination); and

(D) in the event that the Effective Date occurs after the Freeze Date applicable to the Executive under the ESRP, an amount equal to the value of any Company Credits and any ESRP Share Awards (in each case, as defined under the ESRP) the Executive would receive under the terms of the ESRP if the Executive's employment had continued for three years after the Date of Termination; and

(ii) for three years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 5(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group and their families in the country in which the Executive is employed on the same basis as in effect prior to the Date of Termination; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility;provided further that to the extent necessary to avoid the imposition of additional taxes, penalties and interest under Section 409A of the Code, any reimbursements of expenses pursuant to this Section 7(a)(ii) shall be made on or before the last day of the calendar year next following the calendar year in which such expense was incurred. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period; and

(iii) the Company shall, at its sole expense as incurred, provide the Executive with reasonable outplacement services, the scope and provider of which shall be selected by the Executive in his sole discretion;provided,however, that outplacement services shall not be provided to the Executive beyond the last day of the second calendar year following the calendar year which contains the Executive's Date of Termination; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is entitled to receive as of the Date of Termination under any plan, program, policy or practice or contract or agreement of the Company Group (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(v) to the extent not theretofore vested, the Executive shall immediately vest, as of the Date of Termination, in his benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination.

Anything in this Agreement to the contrary notwithstanding, for purposes of calculating the amounts payable to the Executive pursuant to subparagraphs 7(a)(i)(C) and 7(a)(i)(D) hereof, the Executive shall be considered to be a Participant in the ESRP (as defined therein).

(b)Death. If, during the Employment Period, the Executive's employment is terminated by reason of the Executive's death, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations, the timely payment or provision of Other Benefits, and immediate vesting, as of the Date of Termination and to the extent not theretofore vested, of the Executive's benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company Group to the estates and beneficiaries of peer executives of the Company Group under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company Group and their beneficiaries in the country in which the Executive is employed.

(c)Disability. If, during the Employment Period, the Executive's employment is terminated by reason of the Executive's Disability, this Agreement shall terminate without further obligations to the Executive under this Agreement, other than for payment of Accrued Obligations, the timely payment or provision of Other Benefits, and immediate vesting, as of the Date of Termination and to the extent not theretofore vested, of the Executive's benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company Group to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company Group and their families in the country in which the Executive is employed.

(d)Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination within 30 days thereafter and (y) Other Benefits, in each case to the extent theretofore unpaid. Subject to Section 8, if the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination.

8.Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company Group and for which the Executive may qualify, nor, subject to Section 15(f) hereof, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company Group, including, without limitation, the ESRP or the MSRP. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company Group at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. Anything in the ESRP to the contrary notwithstanding, during the Employment Period: (I) Section 7.1 (Amendments) thereof shall be inapplicable to the Executive to the extent such amendment reduces the accrued benefit or contribution rate or otherwise adversely affects the right of the Executive to accrue an ESRP benefit; and (II) Section 3.6 (Forfeitures) thereof shall be inapplicable to the Executive in connection with any termination of employment (other than for Cause (as defined under this Agreement)). Anything in the MSRP to the contrary notwithstanding, the first sentence of Section 5 thereof shall be inapplicable to the Executive in connection with any termination of employment (other than for Cause (as defined under this Agreement)).

9. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. Furthermore, the Executive shall be entitled to receive from the Company payment in respect of all direct and indirect damages as a result of any material breach by the Company of this Agreement. From the date hereof until the 20th anniversary of the later of (i) the Date of Termination and (ii) the date of the Executive's death, the Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, or breach by the Company of, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that payment of legal fees and/or expenses shall not be provided to the Executive later than the last day of the second calendar year in which the relevant fees or expenses were incurred; provided, further, that the amount of any legal fees and/or expenses paid by the Company on behalf of the Executive during a calendar year shall not affect any legal fees and/or expenses to be paid by the Company on behalf of the Executive in any other calendar year.

10. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company Group to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c) and Section 10(e), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young LLP or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding anything in this Section 10 and Section 12(b), any Gross-Up Payment, Underpayment or reimbursement by the Company or any other member of the Company Group of expenses incurred by the Executive in connection with a litigation proceeding relating to the Excise Tax, as provided for in this Section 10, shall be paid no later than the last day of the calendar year following the calendar year in which the Executive remits the related taxes and any reimbursement of the costs and expenses described in Section 10 shall be paid not later than the end of the calendar year following the year in which there is a final and nonappealable resolution of, or the taxes are remitted that are the subject of, the related claim.

11. Confidential Information; Restriction on Solicitation of Employees and Clients. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company Group, and their respective businesses and Clients (as defined below), which shall have been obtained by the Executive during the Executive's employment by the Company Group and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company Group, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. For the purposes of this Section 11, the term "Client" means any person or entity that is a customer or client of the Company or any of its subsidiaries.

(b) During the term of employment of the Executive and during the Nonsolicitation Period (as defined below), the Executive shall not, without the prior written consent of the Company, solicit, directly or indirectly (other than through a general solicitation of employment not specifically directed to employees of the Company or its subsidiaries), the employment of any person who within the previous 12 months was an officer of the Company or any of its subsidiaries. For purposes of this Section 11, the term "Nonsolicitation Period" means the period beginning on the date of termination of the Executive's employment with the Company Group (the "Termination Date") and ending on the earlier of (i) 18 months after the Termination Date and (ii) one year after the Effective Date (if any).

(c) During the term of employment of Executive and during the Nonsolicitation Period, the Executive shall not, without the prior consent of the Company, engage in the Solicitation of Business (as defined below) from any Client on behalf of any person or entity other than the Company and its subsidiaries. For the purposes of this Section 11(c), the term "Solicitation of Business" shall mean the attempt through direct personal contact on the part of the Executive with a Client with whom the Executive has had significant personal contact while serving in a Line-Function Capacity (as defined below) during his period of employment to induce such Client to transfer its business relationship from the Company and its subsidiaries to any other person or entity. The term "Line-Function Capacity" means service to the Company and its subsidiaries in a primary capacity other than a staff function, in which the Executive has direct and regular contact with Clients and responsibility for managing the business relationship of the Company and its subsidiaries with such Clients. During the Nonsolicitation Period, the Executive may accept employment with or enter into a business relationship with a person or entity that has or seeks to establish business relationships with one or more Clients provided that the Executive does not engage in the Solicitation of Business from such Clients and does not disclose confidential information concerning such Client and its relationship with the Company and its subsidiaries to any such person or entity.

(d) In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(e) This Section 11 shall be effective from and after the date of this Agreement notwithstanding that an Effective Date has not occurred.

12.Section 409A of the Code. (a) This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts subject thereto and shall be interpreted and construed and shall be performed by the parties consistent with such intent, and the Company shall not accelerate any payment or the provision of any benefits under this Agreement or to make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject to tax under Section 409A of the Code.

(b) Except as expressly provided otherwise herein, no reimbursement payable to the Executive pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A of the Code.

(c) Notwithstanding anything herein to the contrary, if the Executive is a "specified employee," for purposes of Section 409A of the Code, as determined under the Company's established methodology for determining specified employees, on the date on which the Executive separates from service, any payment hereunder (including any provision of continued benefits) that provides for the deferral of compensation within the meaning of Section 409A of the Code (the "Delayed Payment Amounts") shall not be paid or commence to be paid on any date prior to the first business day after the date that is six months following the Executive's Date of Termination;provided,however, that payment of the Delayed Payment Amounts shall commence within 30 days of the Executive's death in the event of his death prior to the end of the six-month period. The Delayed Payment Amounts shall earn interest at the prime rate published in *The Wall Street Journal* on the Date of Termination until the date that payment of such amounts to the Executive or his legal representatives is completed pursuant to the terms of this Agreement.

13.Statement of Benefits. Immediately prior to the Effective Date, the Company shall provide in writing to the Executive a reasonable, good faith estimate of the payments and benefits to which the Executive would be entitled in the event of a termination of his employment pursuant to Section 7(a) hereof, assuming that the Effective Date is the Date of Termination.

14.Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

15.Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given to the other party by hand delivery, by electronic email, or by private overnight delivery, in each case with proof of receipt, addressed as follows:

If to the Executive, at the most recent address in the records of the Company Group.

If to the Company:

State Street Corporation
State Street Financial Center
One Lincoln Street
Boston, MA 02111-2900

Attention: Chief Legal Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation and all other authorized deductions.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 6(c)(i) - (v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and any member of the Company Group, the employment of the Executive by the Company Group is "at will" and, subject to Section 2(a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, including, without limitation, the Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

[Executive]

STATE STREET CORPORATION

By ________________________________

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AGREEMENT by and between State Street Corporation, a Massachusetts corporation (the "Company"), and______ __________ (the "Executive"), dated as of the__ day of______, 2008.

The Board of Directors of the Company (the "Board") determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes, and continues to believe, that it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company Group (as defined below) currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board caused the Company to enter into an employment agreement with the Executive (the "Employment Agreement").

The Board and the Executive now wish to amend and to restate the Employment Agreement to ensure that it satisfies the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and to make certain other changes deemed desirable by the Board and the Executive.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1.Restatement of Employment Agreement. The Employment Agreement is hereby amended, restated and superseded in its entirety by this Agreement, effective as of January 1, 2008.

2.Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 2(b) hereof) on which a Change of Control (as defined in Section 3 hereof) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company Group is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on December 31, 2009;provided, however, that commencing on December 31, 2008, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) The “Company Group” shall mean the Company and any company controlled by, controlling or under common control with the Company.

3.Change of Control. For the purpose of this Agreement, a “Change of Control” shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);provided,however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 3; or

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board;provided,however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

4.Employment Period. The Company hereby agrees to continue the Executive in the employ of the Company Group, and the Executive hereby agrees to remain in the employ of the Company Group, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

5.Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company Group and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company Group in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company Group.

(b)Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to 12 times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company

Group in respect of the 12-month period immediately preceding the month in which the Effective Date occurs. Such Annual Base Salary shall be payable as earned in equal installments, no less frequently than monthly, pursuant to the Company Group's customary payroll policies applicable to the Executive in force at the time of payment, less any required or authorized payroll deductions, and unless the Executive shall elect to defer the receipt of a portion of such Annual Base Salary in accordance with the requirements of Section 409A of the Code. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as so increased.

(ii)Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the product of the Annual Base Salary and the percentage of base salary actually awarded to the Executive under the Company's Senior Executive Annual Incentive Plan or any successor plan in effect from time to time for the last full fiscal year prior to the Effective Date (or in the event that the Executive was not employed by the Company during such fiscal year or was otherwise not a participant in such plan, 500%) (the "Recent Annual Bonus Percentage"). Each such Annual Bonus shall be paid no later than March 15th of the year succeeding the year for which the Annual Bonus is earned, unless the Executive shall elect to defer receipt of such Annual Bonus in accordance with the requirements of Section 409A of the Code.

(iii)Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company Group, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company Group for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company Group in the country in which the Executive is employed. To the extent applicable, the benefits provided to the Executive pursuant to this Section 5(b)(iii) shall be provided and paid in compliance with the relevant requirements of Section 409A of the Code.

(iv)Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company Group (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company Group in the country in which the Executive is employed. To the extent applicable, the benefits provided to the Executive pursuant to this Section 5(b)(iv) shall be provided and paid in compliance with the relevant requirements of Section 409A of the Code.

(v)Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company Group in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed. Reimbursement shall be made as soon as practicable after a request for reimbursement is received by the Company Group, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred.

(vi)Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company Group in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed. Reimbursements or payments shall be made as soon as practicable after a request for reimbursement or payments is received by the Company Group, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred;provided that the amount of any fringe benefits to be reimbursed or paid by the Company Group in one year shall not affect any fringe benefits to be reimbursed or paid by the Company Group in any other calendar year.

(vii)Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company Group at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed.

(viii)Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company Group as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group in the country in which the Executive is employed.

6.Termination of Employment. For purposes of this Agreement, the terms "terminate," "terminated" and "termination" mean a termination of the Executive's employment that constitutes a "separation from service" within the meaning of the default rules of Section 409A of the Code;provided,however, that for purposes of determining which entities are treated as a single "service recipient" with the Company, the phrase "at least 80 percent" shall be retained in each place it appears in Sections 1563(a)(1), (2) and (3) of the Code and Section 1.414(c)-2 of the Treasury Regulations, as permitted under Section 1.409A-1(h)(3) of the Treasury Regulations; andprovided further that in the event that the Executive is absent from work due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months (an "Impairment"), where such Impairment causes the Executive to be unable to perform the duties of his position or any substantially similar position of employment, the Executive shall incur a separation from service 29 months after the date on which the Executive was first Impaired.

(a)Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 15(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company Group shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date");provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company Group on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b)Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company Group (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company who is a member of the Company's executive management committee or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c)Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 5(a) of this Agreement, or any other action by the Company Group which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company Group promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company Group to comply with any of the provisions of Section 5(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company Group promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 5(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company Group of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 14(c) of this Agreement.

For purposes of this Section 6(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary after the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d)Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e)Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination; and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

7.Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) any earned Annual Bonus in respect of the fiscal year ended immediately prior to the Date of Termination to the extent not theretofore paid, (3) the product of (x) the Recent Annual Bonus Percentage and (y) the Executive's Annual Base Salary and (z) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (4) any accrued vacation pay, to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3), and (4) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) an amount equal to the sum of the Company Group contributions to (i) the Company Group tax favored defined contribution retirement plans applicable to the Executive and (ii) the State Street Corporation Management Supplemental Savings Plan or any successor plan (the "Supplemental Savings Plan") for the most recent full fiscal year and (z) the product of (i) the Recent Annual Bonus Percentage and (ii) the Annual Base Salary; and

C. an amount equal to the excess of (a) the actuarial equivalent of the benefit under the Company Group's tax favored defined benefit or funded retirement plans applicable to the Executive (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Retirement Plan immediately prior to the Effective Date), and any excess or supplemental defined benefit pension plan or funded retirement plan in which the Executive participates immediately prior to the Effective Date (collectively, the "SERP") which the Executive would receive under the terms thereof as in effect immediately prior to the Effective Date if the Executive's employment continued for three years after the Date of Termination assuming that the Executive's compensation in each of the three years is that required by Section 5(b)(i) and Section 5(b)(ii), over (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination; provided that for purposes of calculating the payment pursuant to this subparagraph 7(a)(i)(C): (I) in the event that the Effective Date occurs on or prior to the "Freeze Date" applicable to the Executive under the State Street Corporation Executive Supplemental Retirement Plan (the "ESRP"), the final average pay formula applicable to the Executive thereunder (without regard to any limitation or caps on the ESRP benefit under such formula) shall be taken into account and (II) in the event that the Effective Date occurs after the Freeze Date applicable to the Executive under the ESRP as in effect immediately prior to the Effective Date, the final average pay formula applicable to, and any defined benefit pension benefit payable to, the Executive thereunder shall not be taken into account (notwithstanding, in each of (I) and (II), whether such formula would continue to apply under the terms of the ESRP had the Executive's employment continued for three years following the Date of Termination); and

D. in the event that the Effective Date occurs after the Freeze Date applicable to the Executive under the ESRP, an amount equal to the value of any Company Credits and any ESRP Share Awards (in each case, as defined under the ESRP) the Executive would receive under the terms of the ESRP as in effect immediately prior to the Effective Date if the Executive's employment had continued for three years after the Date of Termination; and

(ii) for three years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 5(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company Group and their families in the country in which the Executive is employed on the same basis as in effect prior to the Date of Termination, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility; provided further that to the extent necessary to avoid the imposition of additional taxes, penalties and interest under Section 409A of the Code, any reimbursements of expenses pursuant to this Section 7(a)(ii) shall be made on or before the last day of the calendar year next following the calendar year in which such expense was incurred. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period; and

(iii) the Company shall, at its sole expense as incurred, provide the Executive with reasonable outplacement services; the scope and provider of which shall be selected by the Executive in his sole discretion; provided, however, that outplacement services shall not be provided to the Executive beyond the last day of the second calendar year following the calendar year which contains the Date of Termination; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is entitled to receive as of the Date of Termination under any plan, program, policy or practice or contract or agreement of the Company Group (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(v) to the extent not theretofore vested, the Executive shall immediately vest, as of the Date of Termination, in his benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination.

Anything in this Agreement to the contrary notwithstanding, for purposes of calculating the amounts payable to the Executive pursuant to subparagraphs 7(a)(i)(C) and 7(a)(i)(D) hereof, the Executive shall be considered to be a Participant in the ESRP (as defined therein).

(b) Death. If, during the Employment Period, the Executive's employment is terminated by reason of the Executive's death, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations, the timely payment or provision of Other Benefits, and immediate vesting, as of the Date of Termination and to the extent not theretofore vested, of the Executive's benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company Group to the estates and beneficiaries of peer executives of the Company Group under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company Group and their beneficiaries in the country in which the Executive is employed.

(c)Disability. If, during the Employment Period, the Executive's employment is terminated by reason of the Executive's Disability, this Agreement shall terminate without further obligations to the Executive other than for payment of Accrued Obligations, the timely payment or provision of Other Benefits, and immediate vesting, as of the Date of Termination and to the extent not theretofore vested, of the Executive's benefits under the plans comprising the Supplemental Savings Plan and SERP (including, without limitation, the MSRP and the ESRP) in which he participates on the Date of Termination. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company Group to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company Group and their families in the country in which the Executive is employed.

(d)Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination within 30 days thereafter and (y) Other Benefits, in each case to the extent theretofore unpaid. Subject to Section 8, if the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination.

8.Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company Group and for which the Executive may qualify, nor, subject to Section 15(f) hereof, shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company Group, including, without limitation, the ESRP or the MSRP. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company Group at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. Anything in the ESRP to the contrary notwithstanding, during the Employment Period: (I) Section 7.1 (Amendments) thereof shall be inapplicable to the Executive to the extent such amendment reduces the accrued benefit or contribution rate or otherwise adversely affects the right of the Executive to accrue an ESRP benefit; and (II) Section 3.6 (Forfeitures) thereof shall be inapplicable to the Executive in connection with any termination of employment (other than for Cause (as defined under this Agreement)). Anything in the MSRP to the contrary notwithstanding, the first sentence of Section 5 thereof shall be inapplicable to the Executive in connection with any termination of employment (other than for Cause (as defined under this Agreement)).

9.Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. Furthermore, the Executive shall be entitled to receive from the Company payment in respect of all direct and indirect damages as a result of any material breach by the Company of this Agreement. From the date hereof until the 20th anniversary of the later of (i) the Date of Termination and (ii) the date of the Executive's death, the Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, or breach by the Company of, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code;provided,however, that payment of legal fees and/or expenses shall not be provided to the Executive later than the last day of the second calendar year in which the relevant fees or expenses were incurred;provided,further, that the amount of any legal fees and/or expenses paid by the Company on behalf of the Executive during a calendar year shall not affect any legal fees and/or expenses to be paid by the Company on behalf of the Executive in any other calendar year.

10.Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company Group to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 10(c) and Section 10(e), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young LLP or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding anything in this Section 10 and Section 12(b), any Gross-Up Payment, Underpayment or reimbursement by the Company or any other member of the Company Group of expenses incurred by the Executive in connection with a litigation proceeding relating to the Excise Tax, as provided for in this Section 10, shall be paid no later than the last day of the calendar year following the calendar year in which the Executive remits the related taxes and any reimbursement of the costs and expenses described in Section 10 shall be paid not later than the end of the calendar year following the year in which there is a final and nonappealable resolution of, or the taxes are remitted that are the subject of, the related claim.

11. Confidential Information; Restriction on Solicitation of Employees and Clients. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company Group, and their respective businesses and Clients (as defined below), which shall have been obtained by the Executive during the Executive's employment by the Company Group and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company Group, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. For the purposes of this Section 11, the term "Client" means any person or entity that is a customer or client of the Company or any of its subsidiaries.

(b) During the term of employment of the Executive and during the Nonsolicitation Period (as defined below), the Executive shall not, without the prior written consent of the Company, solicit, directly or indirectly (other than through a general solicitation of employment not specifically directed to employees of the Company or its subsidiaries), the employment of any person who within the previous 12 months was an officer of the Company or any of its subsidiaries. For purposes of this Section 11, the term "Nonsolicitation Period" means the period beginning on the date of termination of the Executive's employment with the Company Group (the "Termination Date") and ending on the earlier of (i) 18 months after the Termination Date and (ii) one year after the Effective Date (if any).

(c) During the term of employment of Executive and during the Nonsolicitation Period, the Executive shall not, without the prior consent of the Company, engage in the Solicitation of Business (as defined below) from any Client on behalf of any person or entity other than the Company and its subsidiaries. For the purposes of this Section 11(c), the term "Solicitation of Business" shall mean the attempt through direct personal contact on the part of the Executive with a Client with whom the Executive has had significant personal contact while serving in a Line-Function Capacity (as defined below) during his period of employment to induce such Client to transfer its business relationship from the Company and its subsidiaries to any other person or entity. The term "Line-Function Capacity" means service to the Company and its subsidiaries in a primary capacity other than a staff function, in which the Executive has direct and regular contact with Clients and responsibility for managing the business relationship of the Company and its subsidiaries with such Clients. During the Nonsolicitation Period, the Executive may accept employment with or enter into a business relationship with a person or entity that has or seeks to establish business relationships with one or more Clients provided that the Executive does not engage in the Solicitation of Business from such Clients and does not disclose confidential information concerning such Client and its relationship with the Company and its subsidiaries to any such person or entity.

(d) In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(e) This Section 11 shall be effective from and after the date of this Agreement notwithstanding that an Effective Date has not occurred.

12. Section 409A of the Code. (a) This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts subject thereto and shall be interpreted and construed and shall be performed by the parties consistent with such intent, and the Company shall not accelerate any payment or the provision of any benefits under this Agreement or to make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject to tax under Section 409A of the Code.

(b) Except as expressly provided otherwise herein, no reimbursement payable to the Executive pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A of the Code.

(c) Notwithstanding anything herein to the contrary, if the Executive is a "specified employee," for purposes of Section 409A of the Code, as determined under the Company's established methodology for determining specified employees, on the date on which the Executive separates from service, any payment hereunder (including any provision of continued benefits) that provides for the deferral of compensation within the meaning of Section 409A of the Code (the "Delayed Payment Amounts") shall not be paid or commence to be paid on any date prior to the first business day after the date that is six months following the Executive's Date of Termination; provided, however, that payment of the Delayed Payment Amounts shall commence within 30 days of the Executive's death in the event of his death prior to the end of the six-month period. The Delayed Payment Amounts shall earn interest at the prime rate published in *The Wall Street Journal* on the Date of Termination until the date that payment of such amounts to the Executive or his legal representatives is completed pursuant to the terms of this Agreement.

13. Statement of Benefits. Immediately prior to the Effective Date, the Company shall provide in writing to the Executive a reasonable, good faith estimate of the payments and benefits to which the Executive would be entitled in the event of a termination of his employment pursuant to Section 7(a) hereof, assuming that the Effective Date is the Date of Termination.

14. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

15. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given to the other party by hand delivery, by electronic email, or by private overnight delivery, in each case with proof of receipt, addressed as follows:

If to the Executive, at the most recent address in the records of the Company Group.

If to the Company:

State Street Corporation
State Street Financial Center
One Lincoln Street
Boston, MA 02111-2900

Attention: Chief Legal Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation and all other authorized deductions.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 6(c)(i)—(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and any member of the Company Group, the employment of the Executive by the Company Group is "at will” and, subject to Section 2(a) hereof, prior to the Effective Date, the Executive’s employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, including, without limitation, the Employment Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

[Executive]

STATE STREET CORPORATION

By ______________________________

STATE STREET CORPORATION

Ratios of Earnings to Fixed Charges

(Dollars in millions)		Nine Months Ended September 30, 2008	Years Ended December 31, 2007	2006	2005	2004	2003
EXCLUDING INTEREST ON DEPOSITS:							
Pre-tax income from continuing operations, as reported		**$ 2,480**	$ 1,903	$ 1,771	$ 1,432	$ 1,192	$ 1,112
Share of pre-tax income of unconsolidated subsidiaries		**26**	65	43	16	39	11
Fixed charges		**592**	1,248	1,384	948	481	424
Earnings	**(A)**	**$ 3,098**	$ 3,216	$ 3,198	$ 2,396	$ 1,712	$ 1,547
Interest on short-term borrowings		**$ 360**	$ 959	$ 1,145	$ 753	$ 315	$ 279
Interest on long-term debt, including amortization of debt issuance costs		**141**	189	140	100	68	69
Portion of long-term leases representative of the interest factor[1]		**91**	100	99	95	98	76
Fixed charges	**(B)**	**$ 592**	$ 1,248	$ 1,384	$ 948	$ 481	$ 424
Consolidated ratios of earnings to fixed charges, excluding interest on deposits	**(A)/(B)**	**5.23x**	2.58x	2.31x	2.53x	3.56x	3.65x
INCLUDING INTEREST ON DEPOSITS:							
Pre-tax income from continuing operations, as reported		**$ 2,480**	$ 1,903	$ 1,771	$ 1,432	$ 1,192	$ 1,112
Share of pre-tax income of unconsolidated subsidiaries		**26**	65	43	16	39	11
Fixed charges		**1,704**	3,546	3,275	2,080	993	796
Earnings	**(C)**	**$ 4,210**	$ 5,514	$ 5,089	$ 3,528	$ 2,224	$ 1,919
Interest on short-term borrowings and deposits		**$ 1,472**	$ 3,257	$ 3,036	$ 1,885	$ 827	$ 651
Interest on long-term debt, including amortization of debt issuance costs		**141**	189	140	100	68	69
Portion of long-term leases representative of the interest factor[1]		**91**	100	99	95	98	76
Fixed charges	**(D)**	**$ 1,704**	$ 3,546	$ 3,275	$ 2,080	$ 993	$ 796
Consolidated ratios of earnings to fixed charges, including interest on deposits	**(C)/(D)**	**2.47x**	1.55x	1.55x	1.70x	2.24x	2.41x

(1) The interest factor on long-term operating leases represented a reasonable approximation of the appropriate portion of operating lease expense considered to be representative of interest. The interest factor on long-term capital leases represented the amount recorded as interest expense in the consolidated statement of income.

Independent Registered Public Accounting Firm's Acknowledgement Letter

The Shareholders and Board of Directors
State Street Corporation

We are aware of the incorporation by reference in Registration Statements (Form S-3: No. 333-132606 and Form S-8: Nos. 333-100001, 333-99989, 333-46678, 333-36793, 333-36409 and 333-135696), of our reports dated May 8, 2008, July 31, 2008 and November 3, 2008 relating to the unaudited condensed consolidated interim financial statements of State Street Corporation that are included in its Forms 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008.

Under Rule 436(c) of the 1933 Act, our report is not a part of the registration statements prepared or certified by accountants within the meaning of Section 7 or 11 of the 1933 Act.

Boston, Massachusetts
November 3, 2008

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Ronald E. Logue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of State Street Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2008

By: /s/ RONALD E. LOGUE

Ronald E. Logue,
Chairman and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Edward J. Resch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of State Street Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2008

By: /s/ EDWARD J. RESCH

Edward J. Resch,
Executive Vice President and
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

To my knowledge, this Report on Form 10-Q for the period ended September 30, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of State Street Corporation.

Date: November 3, 2008

By: /s/ RONALD E. LOGUE

Ronald E. Logue,
Chairman and Chief Executive Officer

Date: November 3, 2008

By: /s/ EDWARD J. RESCH

Edward J. Resch,
Executive Vice President and
Chief Financial Officer