

STATE STREET Corp
Form FWP
May 18, 2009

Common Stock Offering

May 18, 2009

Filed pursuant to Rule 433

Registration No. 333-157882

State Street has filed a registration statement (including a prospectus) with the SEC for the offerings to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents State Street has filed with the SEC for more complete information about State Street and the offerings. You may obtain these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, copies of the prospectus may be obtained from Goldman Sachs & Co. toll free at (866) 471-2526, or Morgan Stanley & Co. Incorporated, toll free at (866) 718-1649.

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Forward-Looking Statements

This presentation contains forward-looking statements as defined by United States securities laws, including statements about financial condition, results of operations and strategies, the financial and market outlook, governmental and regulatory initiatives. These statements are not guarantees of future performance, are inherently uncertain, are based on assumptions that are difficult to predict and are subject to change. Therefore, actual outcomes and results may differ materially from what is expressed in those statements, and those statements may reflect our expectations or beliefs as of any date subsequent to the date of this presentation.

Important factors that may affect future results and outcomes include, but are not limited to: global financial market disruption; monetary and other governmental actions designed to address such disruptions and recession in the U.S. and internationally; the purposes, effective as of May 15, 2009, of the asset-backed commercial paper conduits that we administer, including the possibility of changes in the composition of the assets on our consolidated balance sheet and the possibility that we may be required to change the strength and continuing viability of the counterparties with which we or our clients do business and with which we have investments in international securities markets, particularly the markets for fixed-income securities, and the liquidity requirements of our customers; a deterioration or downgrade of the credit quality of securities in our investment securities portfolio, a deterioration or downgrade of which could lead to other-than-temporary impairment loss; the maintenance of credit agency ratings for our debt obligations as well as the level of credibility of credit agencies; substantial losses in investment pools where we act as agent, and the possibility of further general reductions in the valuation of short-term funding; potential changes to the competitive environment, including changes due to the effects of consolidation, exit of State Street as a suitable service provider or counterparty; the level and volatility of interest rates and the performance and volatility in the U.S. and internationally; our ability to measure the fair value of the investment securities on our consolidated balance sheet; the existence of disputes and, in particular, the effect of current or potential proceedings concerning State Street Global Advisors, or SSgA, and the enactment of legislation and changes in regulation and enforcement that impact us and our customers; adverse publicity; acquisitions, strategic alliances and divestitures, finance future business acquisitions and obtain regulatory approvals and consent for products and services we offer, including the level and timing of withdrawals from our collective investment products; our ability to control expenses and attract the capital necessary to achieve our business goals and comply with regulatory requirements; our ability to manage systems risks and outsourcing risks, the possibility of errors in the quantitative models we use to manage our business and the potential for new products and services to impose additional costs on us and expose us to increased operational risk, and our ability to manage government regulation or new legislation, which may increase our costs, expose us to risk related to compliance or impact our participation in the U.S. Treasury's TARP capital purchase program and our ability to repurchase the preferred stock and warrants; standards and practices; and changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities. Other important factors that could cause actual results to differ materially from those indicated by any forward-looking statements are discussed in our 10-K and its subsequent SEC filings, including, in particular, its Current Report on Form 8-K dated May 18, 2009. State Street's sections on Risk Factors, and its subsequent SEC filings for additional information with respect to any forward-looking statements. Forward-looking statements contained in this presentation speak only as of May 18, 2009, and State Street does not undertake efforts to update them after that date.

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The Offering

POSITIONS STATE STREET TO REDEEM TARP PREFERRED INVESTMENT

>

State Street Corporation

Issuer

>

NYSE: STT

Symbol

>

60 days (Company, Executive Officers, Directors?)

Lock-up

>

Planned repurchase of \$2.0 billion of TARP preferred plus related warrants, subject to regulatory approval; general corporate purposes

Use of Proceeds

>

May 18, 2009

Anticipated

Pricing

>

15%

Over-allotment

Option

>

\$1.5 billion of common stock¹

Offering

Size

Bookrunners

>

Goldman Sachs, Morgan Stanley

Additional

Actions

>

Intend to offer benchmark-size holding-company non-guaranteed senior notes

>

Elected to take steps resulting in consolidation of ABCP conduits as of May 15, 2009

1

Amount excludes over-allotment option.

2

One

Director

is

not

standing

for

reelection

at

the

May

20,

2009

Annual

Meeting

and will not be subject to lock-up.

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Capital Plan

STRATEGIC RATIONALE AND KEY CONSIDERATIONS

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Decisive, strategic capital action positions State Street for continued growth

>

Today's common stock offering further enhances State Street's already strong capital position

SCAP Stress Test confirmed strength of capital position

Capital ratios in line with or in excess of trust-bank peers

Accelerates achievement of TCE Improvement Plan

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Proactive consolidation of the conduit assets eliminates related uncertainty and simplifies financial reporting

>

Operating earnings¹
expectation of \$4.25 -
\$4.50

per share for 2009 after the
offerings and conduit consolidation

>

Positions us to repay the TARP preferred stock and repurchase related warrants,
subject to regulatory approval

¹

More fully described on page 19.

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Capital Strength
CAPITAL RAISE ACCELERATES TCE IMPROVEMENT
1.2
%
0.8
%
4.1
%
2.2
%
(0.1) %
0.0
%
1.0
%
2.0

%
3.0
%
4.0
%
5.0
%
3/31/09
Adjusted
For Conduit
Consolidation
Conduit Change in
Unrealized Loss
between 3/31/09
and 5/15/09
Capital
Raise
Estimated
2Q 2009
Capital
Generation¹
6/30/09
Estimate¹

The ratio of tangible common equity to adjusted tangible assets, or TCE ratio, as used by State Street, is calculated by dividing after reducing both amounts by goodwill and other intangible assets net of related deferred taxes. Consolidated total assets reflect Federal Reserve's AMLF and cash balances on deposit at the Federal Reserve and other central banks in excess of required reserves and 13. TCE ratio is a non-GAAP financial measure. See Appendix for a reconciliation of tangible common equity and adjusted tangible assets.

Assumptions used in the Estimated 2Q 2009 Capital Generation are set forth on page 13. See also page 6 for 6/30/09 estimate.

Financial Impact
KEY
RATIOS¹
ARE
MATERIALLY
ABOVE
WELL
CAPITALIZED
STANDARDS
6/30/09
Estimate including
TARP Repayment²
6/30/09
Estimate²
3/31/09
Adjusted for
Conduit Consolidation
4.1%
11.2%
15.5%
16.8%

Well
 Capitalized
 12.8%
 13.2%
 6%
 Tier 1 Capital
 4.0%
 10.9%
 14.1%
 4%
 10%
 2.2%
 TCE
 9.0%
 Tier
 1
 Common
 1
 14.6%
 Total Capital
 Fed stress
 test metrics
 6
 1

Total risk-based capital, or total capital, and tier 1 risk-based capital, or tier 1 capital, ratios are calculated in accordance with a commercial paper purchased under the AMLF. Stated ratios for well capitalized for total capital and tier 1 capital represent regulatory requirements. Tier 1 common risk-based, or tier 1 common, ratio is calculated by dividing (a) tier 1 capital less non minority interest in subsidiaries and qualifying trust preferred securities, by (b) risk-weighted assets, which assets are calculated minimum ratio for well capitalized for tier 1 common represents the targeted ratio as of 12/31/10 set by SCAP to determine for additional information about the SCAP stress test. The TCE ratio is described on page 5.

2
 As applicable, 6/30/09 estimates reflect consolidation of all four State-Street administered ABCP conduits effective, and with a capital raise of \$1.5B common stock and \$750M senior debt and other assumptions, including no repurchase of TARP securities securities consistent with management expectations at 5/15/09 (assumes average prepayments between CPR 8 - 12), fair value with page 19 and maintaining current \$0.01 per quarter common stock dividend rate.

Conduit Consolidation

8

Conduit Consolidation

STRATEGIC RATIONALE AND KEY CONSIDERATIONS

Effective as of May 15, 2009

One-time after-tax extraordinary loss of \$3.7 billion related to recognition of unrealized mark-to-market (MTM) losses on the conduit assets

Based upon its credit assessment of the conduit assets, State Street expects a vast majority of the after-tax loss to accrete back through interest revenue over the life of the conduit assets

We expect approximately \$475 million pre-tax to accrete back through interest revenue in 2009 based on management's current prepayment assumptions

Stress test, rating agencies and many market participants already view TCE ratio assuming consolidation

81% of consolidated portfolio is rated AAA or AA, compared to 83% for the unconsolidated investment portfolio at 5/15/09

Asset class percentages similar pre- and post-consolidation

Adequate liquidity to support assets and increased flexibility in funding sources for conduit assets

Simplifies reporting and communication requirements

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>

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9

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Effective May 15, 2009, the four-asset backed commercial paper conduits State Street administers were consolidated onto its balance sheet

As of 3/31/09, book value of \$22.5 billion, after-tax unrealized loss of \$(3.6) billion

As of 5/15/09, book value of \$22.7 billion, after-tax unrealized loss of \$(3.7) billion prior to consolidation

3.4 Years

3.1 years

Weighted-Average Life

Credit Ratings

AAA

AA

A

BBB

<BBB

Asset Size

(\$ in billions)

69%

12%

7%

4%

8%

72%

11%

5%

3%

9%

\$89.6¹

\$75.5

Portfolio as of 5/15/09

Adjusted for Consolidation

Investment Portfolio

as of 5/15/09

1

Amounts,

percentages

and

weighted-average

life

under

Portfolio

as

of

5/15/09

Adjusted

for

Consolidation

are

calculated

using fair market value of

conduit

assets

as

of

5/15/09

and

exclude

\$2.5

billion

of

conduit

loans. At 5/15/09, the fair value of these loans approximated their face values, and no allowance for loan losses was considered necessary.

>

Consolidation does not affect the unrealized loss position of consolidated investment portfolio

As of 3/31/09, the after-tax unrealized loss was \$(5.9) billion

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As of 5/15/09, the after-tax unrealized loss was \$(5.3) billion

Conduit Consolidation

CREDIT QUALITY OF INVESTMENT PORTFOLIO SUBSTANTIALLY UNCHANGED

10
Govt / Agency
15%
ABS²
49%
MBS³
22%
CMBS
4%
Corporate
Bonds
3%
Muni. Bonds /
Other
7%
Govt / Agency
19%

ABS²

39%

MBS³

25%

CMBS

5%

Corporate

Bonds

3%

Muni. Bonds /

Other

9%

Conduit Consolidation

MINIMAL IMPACT ON COMPOSITION OF INVESTMENT PORTFOLIO AS OF 5/15/09

\$75.5 billion

1

Amounts

and

percentages

under

Consolidated

Investment

Portfolio

are

calculated using fair market value of conduit assets as of 5/15/09 and exclude \$2.5 billion of conduit loans at fair value, and therefore no allowance for loan losses was considered necessary.

2

Asset-backed securities includes Student Loans, Credit Cards, Auto/Equipment, Foreign RMBS, CLOs, Sub-Prime, HELOC and

3

Mortgage-backed securities includes Agency, Alt-A and Non-Agency Prime.

\$89.6 billion

Stand-alone Investment Portfolio

Consolidated Investment Portfolio¹

Capital Strength

12
SCAP Stress Test Results
SUPERVISORY RATIOS MORE THAN TWO TIMES THE MINIMUMS AFTER CONSOLIDATION
Passed
Stress Test
with More
Than Twice
the Minimum
Capital
Needed
Under the
More
Adverse
Scenario
Tier 1 Capital
Tier 1 Common

SCAP-required

6% Minimum

SCAP-required

4% Minimum

The stress test methodology under the SCAP assumed a stressed economic and market environment in 2009 and 2010 and projections available

to

offset

those

losses

if

that

economic

scenario

were

to

occur.

The

data

in

the

table

have

been

prepared

in

accordance

with

the assumptions and methodologies required by SCAP and are

intended to provide some guidance under those assumptions and methodologies as to our ratios projected by the stress test as of

published these ratios as of December 31, 2008. This data does not reflect State Street's outlook for 2009 or 2010 and is not intended

stress test's baseline

scenario, which included a decline in GDP of -2.0% in 2009 and an increase of 2.1% in 2010; civilian unemployment of 8.4% in 2009 and

-14%

during

2009

and

-4%

in

2010;

The

stress

test's

more

adverse

scenario

included a decline in GDP of -3.3% in 2009 and an increase of 0.5% in 2010; civilian unemployment of 8.9% in 2009 and

10.3% in 2010; and house price declines of -22% during 2009 and -7% in 2010; both of these scenarios are described in detail in

released

by

the
Board
of
Governors
for
the
Federal
Reserve
Board
on

April 24, 2009. Minimum SCAP-required ratios represent targeted ratios set by SCAP supervisors to determine the desired capital buffer

in
the
stress
tests
more
adverse
scenario.

15.4%

20.2%

12.4%

20.2%

0%

5%

10%

15%

20%

25%

Q4 2008A

Q4 2010E

"Baseline"

"More Adverse"

11.8%

15.5%

9.1%

15.5%

0%

5%

10%

15%

20%

25%

Q4 2008A

Q4 2010E

SCAP Stressed Scenario

>

Stress testing assumed conduit consolidation

The Offering

ACCELERATES ACHIEVEMENT OF TCE IMPROVEMENT PLAN

+0bps

+0bps

+18bps

4

+31bps

Price improvement

5.96%

+0bps

+51bps

(2)bps

+0bps

+39bps

+8bps

5.00%

Q4

5.00%

+0bps

+41bps

(4)bps

+0bps
 +41bps
 +8bps
 4.14%
 Q3
 4.14%
 +124bps
 +31bps
 (22)bps
 +4bps
 +29bps
 +8bps
 2.22%
 Q2
 2.22%
 +0bps
 +28bps
 +15bps
 + 7bps
 +14bps
 + 8bps
 1.19%

Q1
 TCE estimates¹
 assume adjustments based on
 the following:
 TCE at end of period
 Common Equity Raise
 Organic capital generation³
 Other changes in balance sheet size
 Conduit securities paying down / maturing
 Portfolio securities paying down / maturing
 Dividend Reduction
 TCE at beginning of period
 Expected Quarterly
 Impacts on TCE
 2
 result in ratio of
 5.96% at 12/31/09

13
 1

Estimates of State Street Corporation's TCE ratio assume consolidation of all four State Street-sponsored ABCP conduits with total conduit assets of \$22.7 billion (except for Q1 2009 for which estimates are as of 3/31/09, with total conduit assets of \$22.7 billion), common stock and \$750M senior debt and other assumptions, including no repurchase of TARP securities, prepayment rates for investment securities based on market expectations at 5/15/09 (assumes average prepayments between CPR 8 - 12), fair value of investment portfolio securities at 5/15/09, and outlook described on page 19 and maintaining current \$0.01 per share quarterly common stock dividend rate. Pre-payment rate assumptions, based on changes in economic and market conditions and other factors.

2
 The TCE ratio is described on page 5.

3

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Consists of Net Income Available to Common plus employee stock compensation, currency translation and amortization of in
4

Reflects mark-to-market improvements through 5/15/09; assumed to remain flat for the rest of the quarter.

Business Update

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Business Update

SIGNIFICANT GLOBAL TRENDS AND INITIATIVES

>

Global economy slowly beginning to repair

Well-positioned to leverage recovery in equity markets

>

Strong industry-leading global footprint with ongoing expansion opportunities

Target to achieve 50% of total revenue from non-US sources over time

>

Large opportunities to cross sell to existing customers

Revenue from existing customers expected to track historic average of 75% of total incremental annual revenue

>

Pipeline is strong with opportunities to service large global investment managers

>

Cross-border asset flows expected to increase

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Continuing Momentum

GAINING MARKET POSITION
WINS IN 2008

>

\$1.7 trillion in new business wins
including:

Lazard Asset Management

Illinois State Teachers

UK Pension Protection Fund

Columbia Management

Apostle Asset Management

Hartford Insurance Group of
Canada

Investment Servicing

>

\$198 billion gross new asset
wins including:

CalPERS

AP4 Swedish Pension Fund

Lincoln Financial Group

Met Life

London Borough of Hillingdon

University Superannuation scheme

Investment Management

17

>

Alternative Investments

Hedge fund administration

#2 in world*: \$252 billion in assets under administration as of 3/31/09

Hedge Funds moving to independent administration

Private Equity Administration

\$138 billion in assets under administration as of 3/31/09

>
Outsourcing

#1 in world**: \$4.7 trillion in middle-office assets under administration as of 3/31/09

Industry-leading solution for major global investment managers

Investment Servicing

STRATEGIC OVERVIEW

Key Customer

Drivers

*Source: HFM Hedge Fund Administration Survey 12/08. ** Source: Greensted Report, 1/09.

>
Flight to quality and safety (Deposits more than doubled as of 12/31/08 compared to 12/31/07)

>
Cost pressures on asset managers and asset owners

>
Heightened regulatory environment

>
Growing need for transparency, risk management and compliance

Growth
Opportunities

18

>

Cash Investment Management

Leading manager with \$487 billion in AUM as of 3/31/09

Diverse product set creates opportunities in global markets

>

ETFs

Strong SPDR brand awareness; #2 in the world* with \$140 billion in AUM
as of 3/31/09

Increasingly important component of asset allocation strategies

>

Defined Contribution

Building on strong DB and recordkeeping relationships

Move towards passive and plan simplification

>

De-risking worldwide; flight to passive and broader benchmarks

>

Need for a trusted, strategic partner

>

Focus on pension funding levels; asset allocation decisions

>

Asset growth rate of DC/IRA bigger than DB

Investment Management

STRATEGIC OVERVIEW

Key Customer

Drivers

Growth

Opportunities

*Source: Pensions and Investments Magazine, March 23, 2009.

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Operating Outlook
OUTLOOK FOR 2009

>

Operating EPS¹
expected to be between \$4.25 and \$4.50 due to:

Current operating environment marginally weaker than we originally believed

Discount accretion of \$0.75 per share from the conduit assets offset by:

Impact of share and debt issuance

Contemplates re-establishing a reserve for discretionary incentive compensation in the second half of 2009, subject to company performance

>

After consolidation, operating revenue expected to decline approximately 12% versus 2008

>

After consolidation, ROE now expected to be approximately 17%

1

Operating
EPS,
as
defined
by
management,
excludes
the
after-tax
impact
of
net
interest
revenue
associated
with
participation
in
the
Federal

Reserve Bank of Boston's AMLF; merger and integration costs associated with the July 2007 acquisition of Investors Financial; and
extraordinary loss recorded in connection with consolidation of the conduits.

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Capital Plan
SUMMARY

>

The Offering

Operating EPS forecast for 2009 of \$4.25 -
\$4.50 post-offering and post-consolidation

Well-positioned to repay TARP CPP as evidenced by stress test results

Accelerates achievement of TCE improvement plan

Additional capital will help enhance future growth opportunities

>

Proactive Conduit Consolidation

Reduces complexity associated with off balance sheet assets

Asset quality continues to be strong and, based on our view of credit, we believe the vast majority of the assets will accrete through interest revenue over the life of the assets

Stress test, rating agencies and many market participants already view conduits as consolidated for purposes of capital ratio calculations

Appendix

22
Tangible Common Equity Reconciliation
(Dollars in millions)
Actual
Adjusted for
Conduit
Consolidation
Consolidated Total Assets
142,144
\$
142,144
\$
Less:
Goodwill

4,493
 4,493
 Other intangible assets
 1,809
 1,809
 AMLF investment securities
 740
 740
 Excess reserves held at central banks
 29,963
 29,963
 Adjusted assets
 105,139
 105,139
 Plus:
 Deferred tax liability
 540
 540
 Conduit assets net of CP held
 -

 11,730
 Total tangible assets
 A
 105,679
 \$
 117,409
 \$
 Consolidated Total Common Shareholders' Equity
 11,969
 \$
 11,969
 \$
 Less:
 Goodwill
 4,493
 4,493
 Intangible assets
 1,809
 1,809
 Unrealized loss on conduit assets
 -

 3,603
 Adjusted equity
 5,667
 2,064
 Plus deferred tax liability
 540
 540

Total tangible common equity

B

6,207

\$

2,604

\$

Tangible common equity ratio

B/A

5.87%

2.22%

March 31, 2009