State Street Corporation

October 16, 2011

TRIAN PARTNERS

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Executive Summary

- **Trian Fund Management, L.P. and funds and accounts managed by it (collectively, "Trian" or "Trian Partners") currently beneficially own approximately 3.3% of the outstanding shares of State Street Corporation ("State Street", "STT" or the "Company")**
- **Trian believes State Street is an exceptional franchise. We appreciate the platform that has been assembled over many years, as well as State Street's leadership positions across attractive sectors and geographies**
- **However, State Street's shareholders paid a high price subsidizing growth in revenue and assets at the expense of profitability, return on invested capital ("ROIC") and total shareholder returns**
  - Acquisitions have been *very* expensive (average forward price to earnings ("P/E") multiple of 27.2x[(1)])
  - Costs have grown faster than sales, despite significant asset growth, implying negative economies of scale and operating leverage
  - Recurring "non-recurring" charges, including restructurings, credit and legal
  - Significant shareholder dilution resulting from massive conduit losses and aforementioned acquisitions
  - STT's earnings per share ("EPS") have declined and its multiple has contracted over the past five years
  - Total shareholder returns have been negative over each of the last ten, five, four, three, two and one year periods
- **Despite State Street's record of underperformance, we believe the Company has significant potential that is ready to be unlocked. We have proposed the following Trian Action Plan to improve shareholder value:**
  - ✓ Redefine success as growth in profitability and shareholder returns, not growth in revenue and headcount
  - ✓ Set an explicit long-term earnings before tax ("EBT") margin target of ~35% by 2014 as well as interim targets. Trian believes State Street's Operations and I/T Transformation Program targeting $575-$625mm of savings lacks credibility in the absence of explicit consolidated margin targets. Management must provide more transparency and detail around its savings plan to assure shareholders of a credible path to value creation and positive operating leverage
  - ✓ Prioritize returning capital to shareholders over dilutive mergers and acquisitions
  - ✓ Eliminate non-recurring charges
  - ✓ Consider a separation of Investment Management and Investment Servicing to unlock value
  - ✓ Improve State Street's corporate governance profile

Source: SEC filings, State Street investor presentations, State Street investor conference calls.

(1) Represents the weighted average forward acquisition multiple of Investors Financial and Intesa Sanpaolo's Securities Services business (including capital support and intangible amortization for Intesa).

Tremendous Opportunity for Value Creation at State Street

- State Street historically traded at a premium multiple of approximately 18x[(1)] forward earnings, in-line with faster growth financial services firms

- State Street's current depressed multiple of 8.0x[(2)] 2011 consensus earnings is more in-line with traditional banks, despite the Company being a fee-based, non-balance sheet driven model:
  - Relying predominantly on fees and less on net interest revenue (23% of total net revenue at State Street versus 65% for the average commercial bank[(3)])
  - Having a superior balance sheet that is easier to understand (90% AAA / AA rated)
  - Having significant excess capital (11.8% Tier I Common Ratio Under Basel III; $4.50 per share of excess capital assuming the most onerous SIFI buffer of 7.0% plus a 2.5% buffer)
  - Having delivered superior organic growth over time (7.5% average annual organic growth in Investment Servicing over the past three years and 6.2% average annual organic growth in Investment Management over the past five years)[(4)]

- By committing to and delivering on our proposed margin targets, prudently returning capital to shareholders and maintaining strong capital levels, we believe State Street can deliver highly attractive EPS growth over the next three to four years

- Assuming State Street successfully executes Trian's action plan and a modest re-rating to 13.5x forward earnings, we arrive at an implied target value per share for State Street of approximately $99 in 2014, as compared to the closing share price of $33.90 on Friday, October 14, 2011 (see page 36)

Source: SEC filings, State Street investor presentations, State Street investor conference calls.

(1) Source: Capital IQ – denotes average multiple between 2000 – 2010.

(2) 2011 Consensus Estimates. Adjusts share price for $4.50 of excess capital assuming 9.5% Basel III Tier 1 Common Ratio.

(3) Source: FDIC Top 100 commercial banks data set.

(4) Source: SEC Filings. Denotes arithmetic average. Investment management fund flows represent long-term fund flows only.

Trian Believes in the Potential of the State Street Platform

- **Investment Servicing division is a clear leader in a fast growing and attractive industry ($7.6bn revenue; $2.1bn earnings before tax ("EBT"))(1)**
  - #1 in Investment Management Operations Outsourcing, Mutual Fund Accounting and Alternative assets under custody and administration ("AUCA")
  - $22tn in AUCA; #2 in total AUCA and #1 in revenue (62% larger than Bank of New York Mellon)(2)
  - Attractive secular tailwinds from global capital markets growth, aging population, trends favoring outsourcing, increased reporting / technological requirements and ever-increasing regulatory complexity
  - Industry has consolidated, benefitting the leading players with global footprints and broad service offerings
  - Scalable global platform with 40% of revenue generated outside the U.S.
  - Earns nearly twice as much revenue per AUCA as Bank of New York Mellon (3.77bps vs. 1.98 bps) due to its higher value-add service offerings

- **Investment Management (State Street Global Advisors, or "SSgA") division is extremely well positioned in the attractive passive management space ($1.1bn revenue, $292mm EBT)(1)**
  - #1 global institutional manager and #2 ETF provider and passive manager
  - $2tn in assets under management ("AUM"), with passive representing 75% of the total
  - Scale players lead the market and have numerous competitive advantages versus smaller competitors

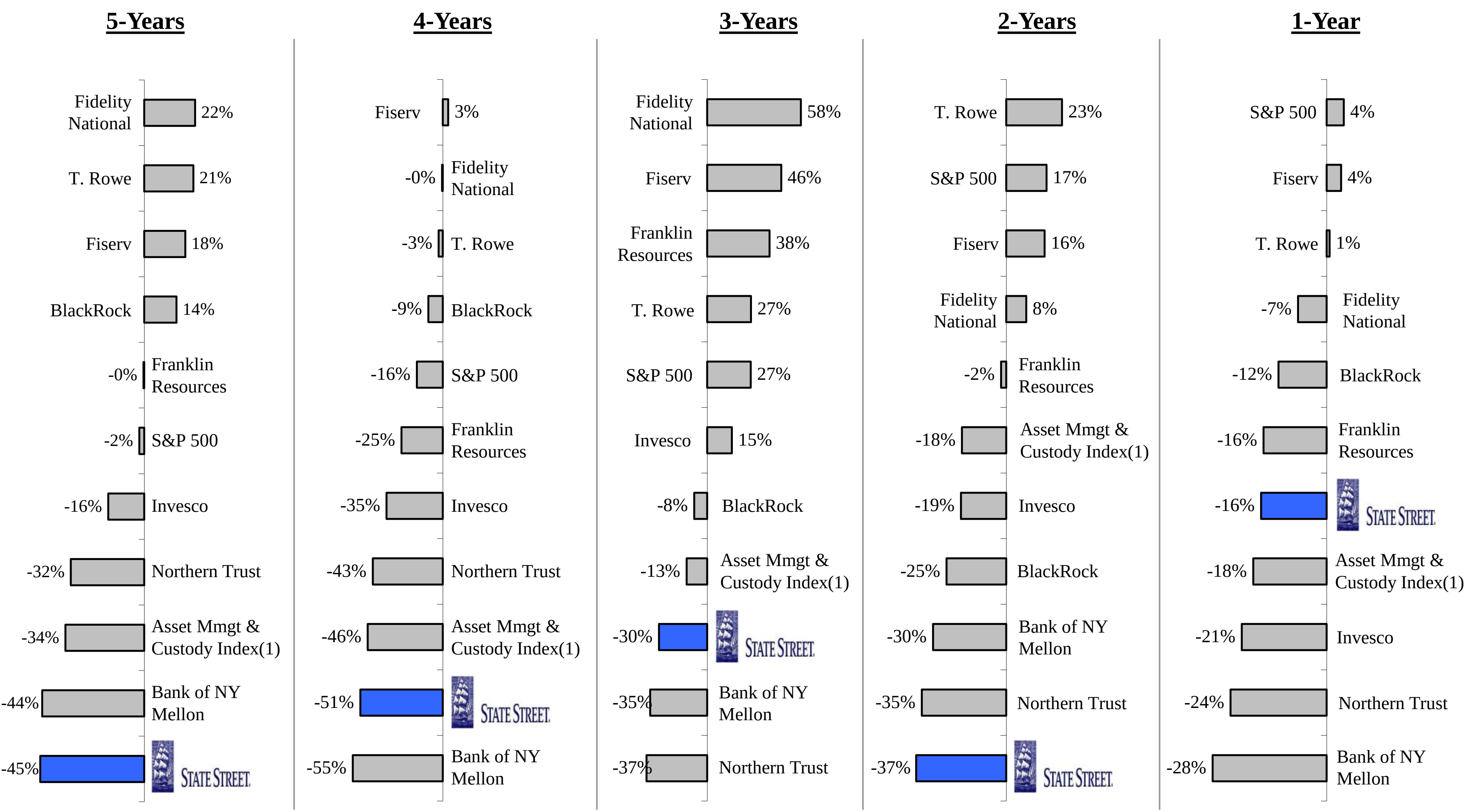
Source: SEC Filings, State Street investor presentations, State Street investor conference calls.

(1) Fiscal Year End ("FYE") December 31, 2010. Source: SEC Filings. Represents operating EBT and Net Revenue and adjusts for interest accretion, insurance reserve recoveries, provision for loan losses, and investment gains / losses.

(2) Fiscal Year End December 31, 2010.

However, State Street Has Generated Disappointing Shareholder Returns

Total Shareholder Returns: State Street vs. Comparables



Source: Bloomberg. All periods are as of October 13, 2011. Total shareholder returns include dividends.
(1) S&P 500 Asset Management & Custody Bank Index.

State Street's Underperformance in Perspective

- **Negative total shareholder returns over each of the last ten, five, four, three, two and one-year timeframes**

- **Underperformed the S&P 500 Asset Management & Custody Bank Index over the past two, three, four, and five year time periods**

- **Significant underperformance versus the S&P 500**

- **Even more glaring underperformance versus leading financial processors, which should have similar trends as some of State Street's business lines**

- **It is important to highlight that custody banks such as Bank of New York Mellon and Northern Trust have also performed poorly the past five years**

- **Like State Street, their problems have been largely self inflicted as the whole industry has been poorly managed in our view (e.g., disappointing cost controls, poor capital allocation, lack of price discipline in core custody as ancillary revenues have declined)**

- **Despite industry-wide underperformance, we believe State Street should have been best positioned among custody peers to outperform given its leadership positions in the fastest growing markets (passive asset management, middle market outsourcing, alternatives, international), strong capital generation and excess capital levels**

- **However, despite these many advantages, State Street's total shareholder returns still rank towards the bottom of the peer group**

While State Street Management Touts Revenue & Headcount Growth. . .

Slide from State Street's 2011 Investor Day Presentation (2/10/11)

STATE STREET.

Forward Focus

Global Expansion[1]

	Year ended 12/31/00[2]	Year ended 12/31/10	% Change
Operating-basis revenue	$3.45BN	$8.71BN	+152%
Operating-basis non-US revenue	$0.94BN	$3.18BN	+238%
Employees[3]	17,281	28,670	+66%
Non-US employees[3]	3,463	12,518	+261%

Revenue in $

North America		Europe, Middle East, Africa		Asia / Pacific	
2000	$2.687BN 14,471 Employees	**2000**	$0.439BN 1,695 Employees	**2000**	$0.327BN 1,115 Employees
2010	$5.728BN 17,391 Employees	**2010**	$2.348BN 8,458 Employees	**2010**	$0.638BN 2,821 Employees

1 Financial data presented on an operating-basis (which is adjusted to exclude, among other things, discount accretion). For a description of operating-basis revenue and resulting reconciliation, see the Appendix.
2 Data exclude the revenue and employees associated with the Corporate Trust and Private Asset Management businesses divested in 2002 and 2003, respectively.
3 At period end.

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"Begin with a look back over the past ten years to show the progress we've made and the foundation we've established to drive future growth...Non-US employees grew at a 261% rate while total employees grew 66% over that period." - 2011 Investor Forum (2/10/11)

. . .And Global Expansion through "accretive acquisitions"

Slide from State Street's 2011 Investor Day Presentation (2/10/11)

STATE STREET

Forward Focus

Global Expansion – Contribution of Acquisitions

NON-US ACQUISITIONS	Deutsche Bank's Global Securities Services	Established State Street's leadership position in Europe
	Mourant International Finance Administration	Established State Street as No. 1 servicer of private equity and hedge funds worldwide
	Intesa Sanpaulo Securities Services	Expanded State Street's footprint in Europe and established leadership position in Italy
	Bank Of Ireland Asset Management	Added fundamental capabilities to SSgA's suite of solutions (closed 1/11)
OTHER	IFS	Added hedge fund servicing capability
	Currenex	Expanded electronic high-speed trading capability
	Palmeri	Accelerated State Street's leadership in private equity servicing
	Investors Financial	Expanded share of mutual fund and hedge fund servicing markets

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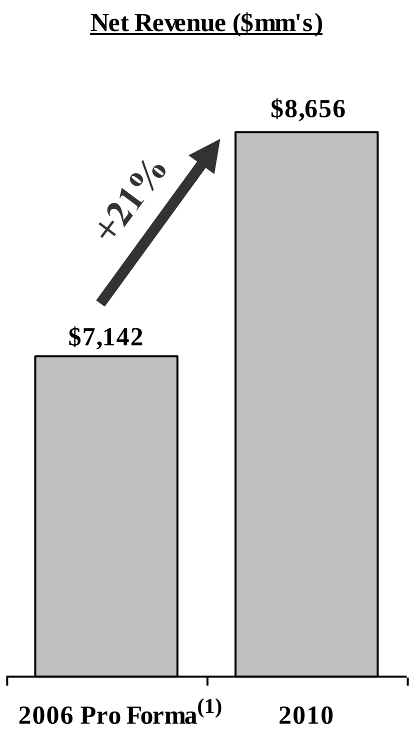
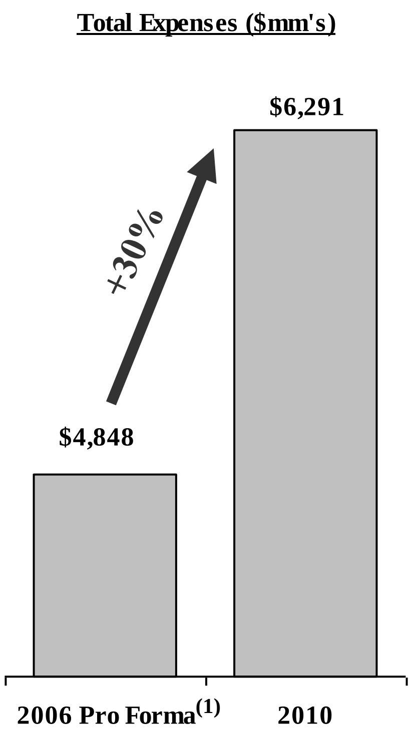
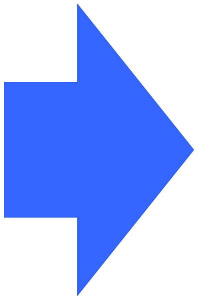
"Also, we're a very successful integrator of accretive acquisitions over the years, all of which have contributed to our growth in revenue and profits." - 2011 Investor Forum (2/10/11)

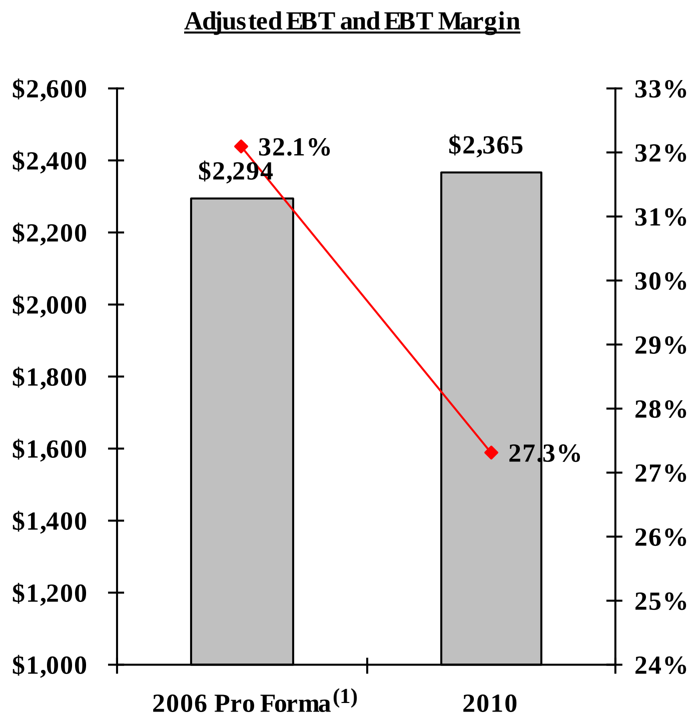
Shareholders Have Endured Declining Profitability...

- EBT margins have declined ~480bps since 2006
- Expenses have grown 30%, 900bps faster than revenue
- $1 of AUCA generated 1.17bps of EBT in 2010, 16% less than the 1.40bps it generated in 2006 (despite 21% AUCA growth since 2006)









Metric	2006 PF	2010	% Change
Net Revenue / Average AUCA	4.35 bps	4.29 bps	(1.2)%
Expenses / Average AUCA	2.95 bps	3.12 bps	5.8%
EBT / Average AUCA	1.40 bps	1.17 bps	(16.0)%

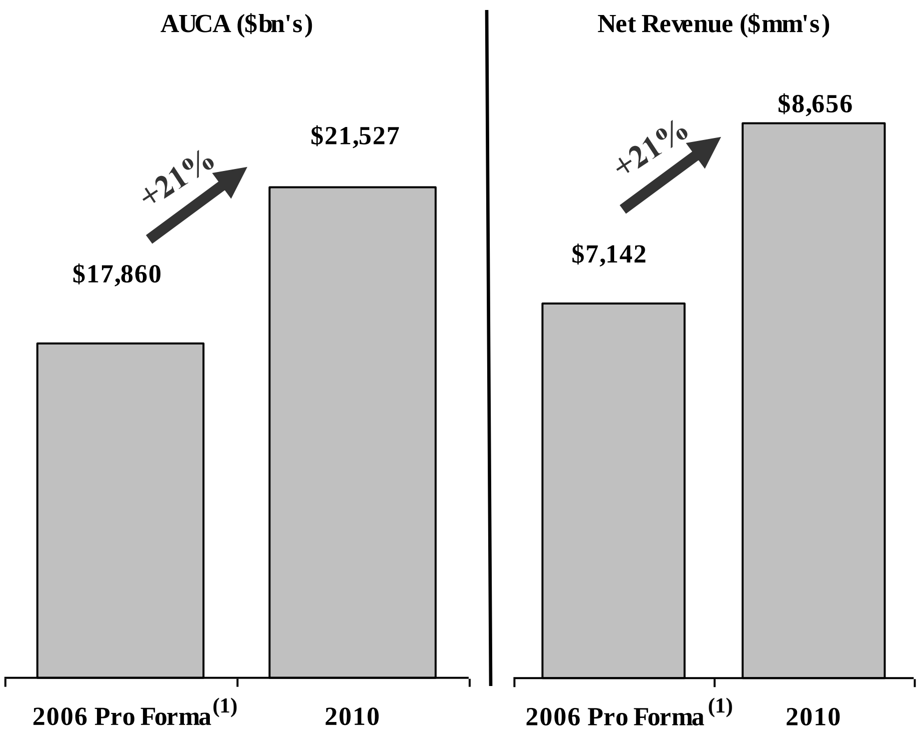
Source: SEC Filings.

(1) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

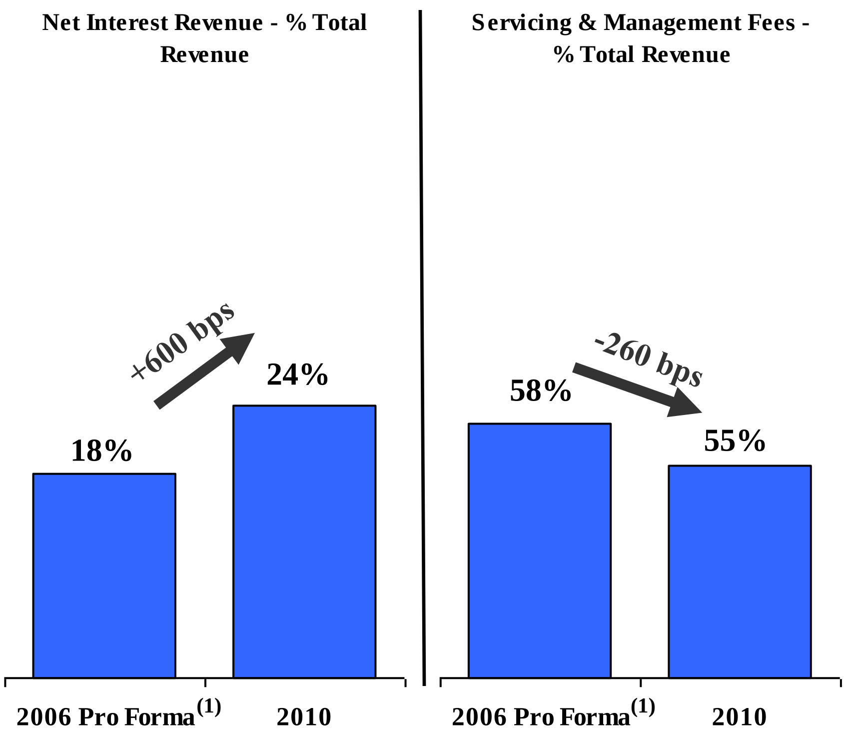
...Meanwhile, Profits Should Have Increased as Scale and Mix Have Improved

- AUCA and Net Revenue both +21% since 2006
- Net Interest Revenue +600bps, significantly increasing one of State Street's highest margin revenue streams (minimal direct expenses)
- Servicing & Management Fees, the lowest margin revenue line, decreased almost 300 bps as a percentage of total revenue
- An increase in scale and an improvement in revenue mix (lower mix of servicing fees, higher mix of net interest revenue) should have driven margins above the 2006 pro forma levels

Significantly increased scale…



… As well as a mix shift away from low-margin businesses towards higher margin businesses



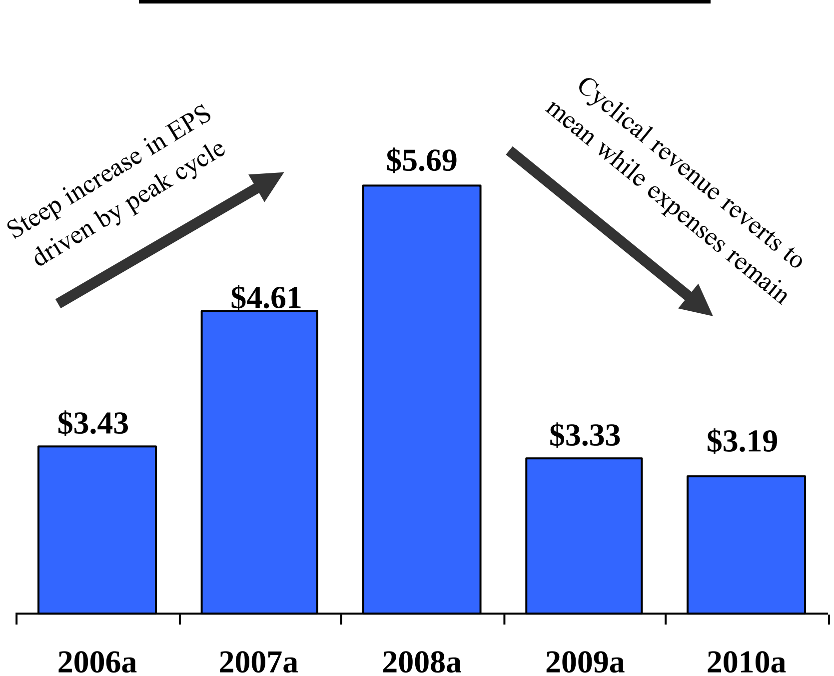
Source: SEC Filings.

(1) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

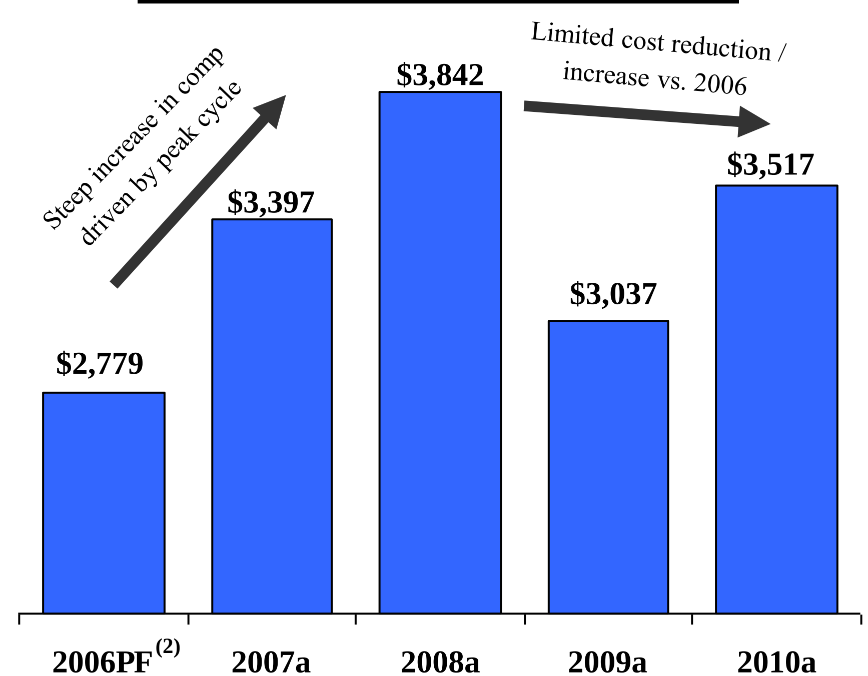
In Effect, Shareholders Have Subsidized Increases in Employee Compensation

- How is it that in 2010 shareholders paid more in compensation than in any year except 2008 to produce the lowest amount of EPS in recent history?
  - In 2010, shareholders paid employees just under $500mm more in compensation than in 2009 for $0.14 less earnings per share
  - In 2010, shareholders paid over $700mm more for compensation than in 2006 for $0.24 less earnings per share

State Street Operating Earnings Per Share[1]



State Street Compensation & Benefits ($mm)



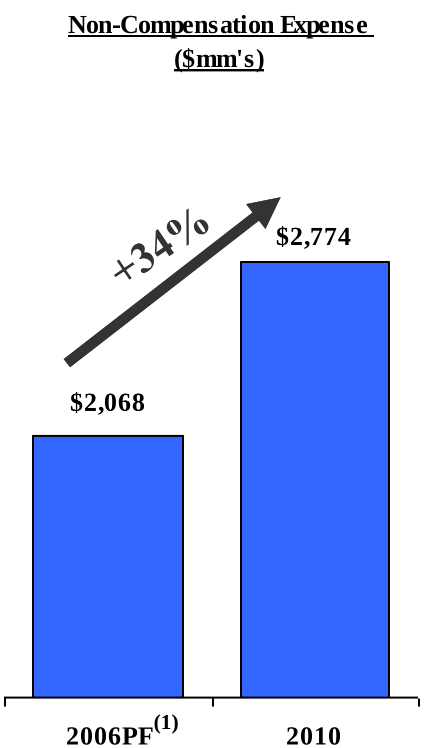
Source: SEC Filings.

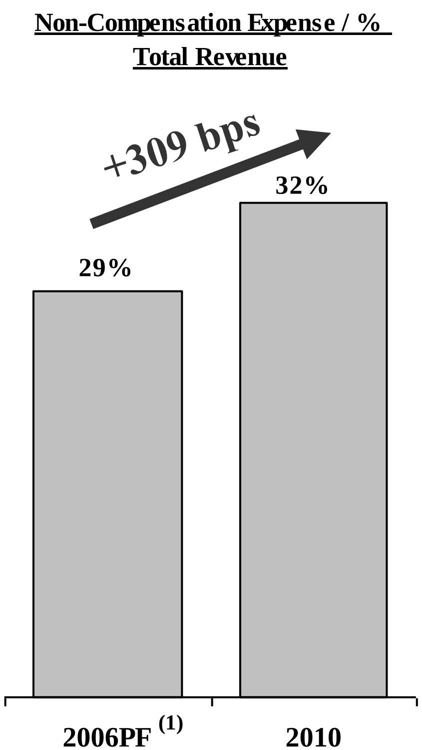
(1) Excludes investment gains / (losses), loan loss provisions, and insurance reserve recovery. See Appendix C for reconciliation to State Street Operating EPS.

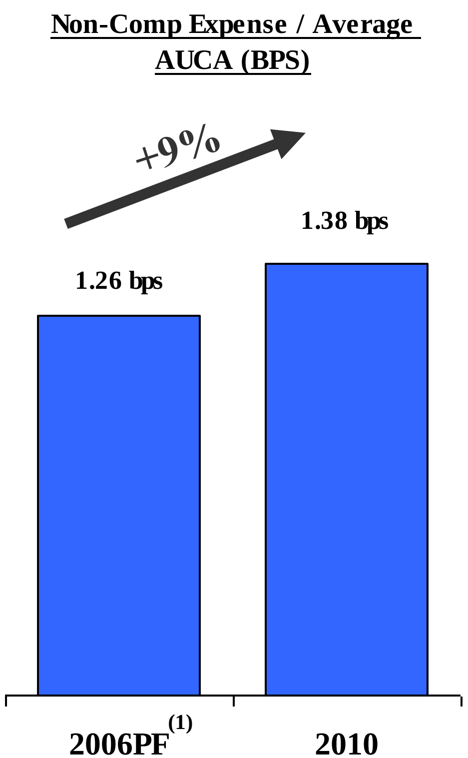
(2) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

Non-Compensation Expenses Have Also Grown Faster than Revenue

- **Non-compensation expenses have grown faster than revenue (+34% expense growth vs. +21% revenue growth) since 2006**
  - While we are in favor of investments in technology to improve efficiency and service, over time IT investments should deliver positive returns on investment
  - Moreover, IT costs should be scalable and should benefit from operating leverage







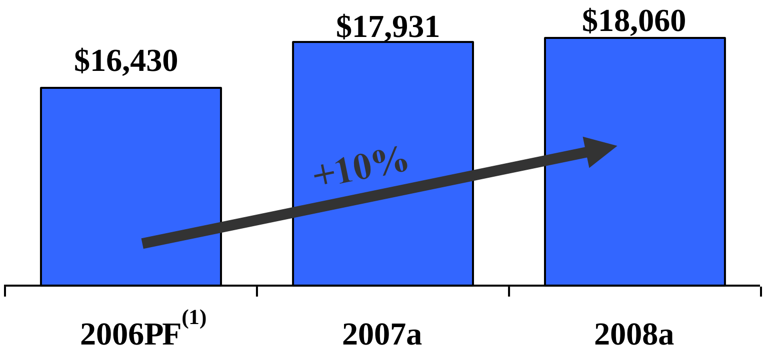
Source: SEC Filings.

(1) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

The Lesson: A Need to Manage Through the Cycle

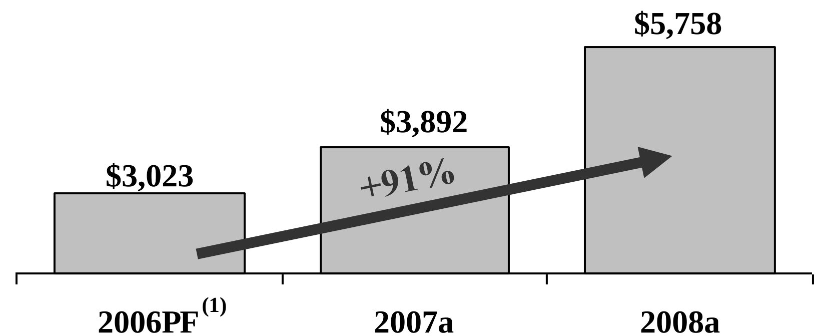
1. From 2006 – 2008 AUCA growth was relatively modest

Average AUCA ($bn's)



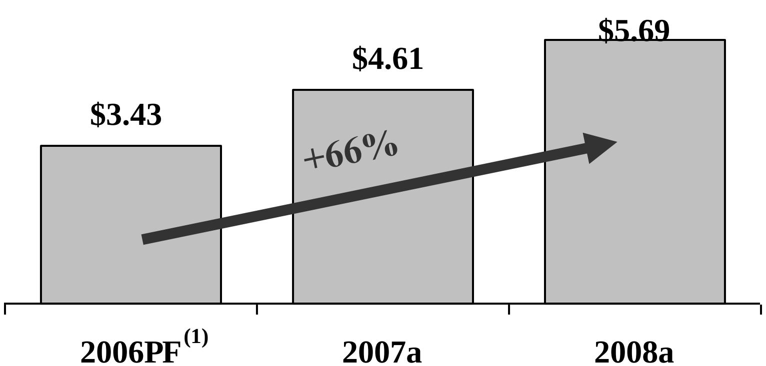
2. But unsustainable levels of high margin trading, securities lending, and net interest revenue swelled

Capital Markets, Net Interest & Other Revenue ($mm's)



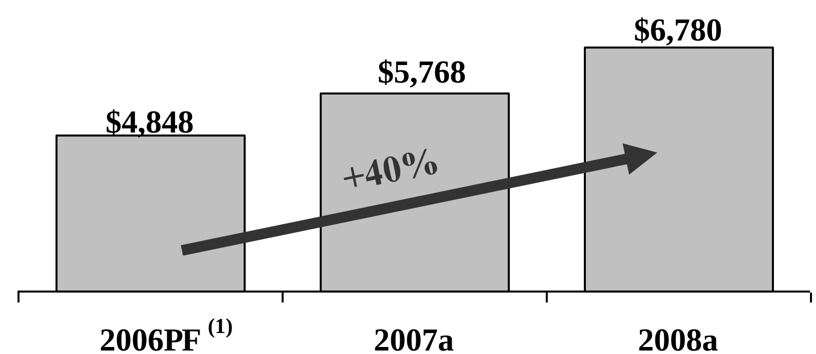
3. Driving Strong EPS Growth

Adjusted Earnings Per Share[2]



4. Which masked a significant increase in expenses

Adjusted Non-Interest Expense ($mm's)



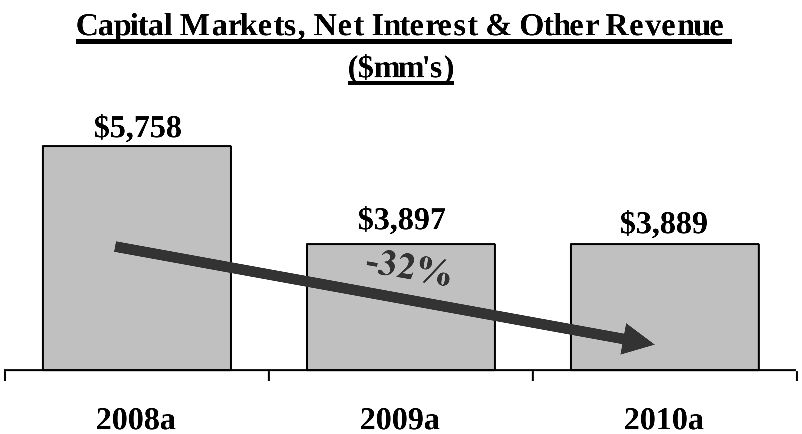
Source: SEC Filings.

(1) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

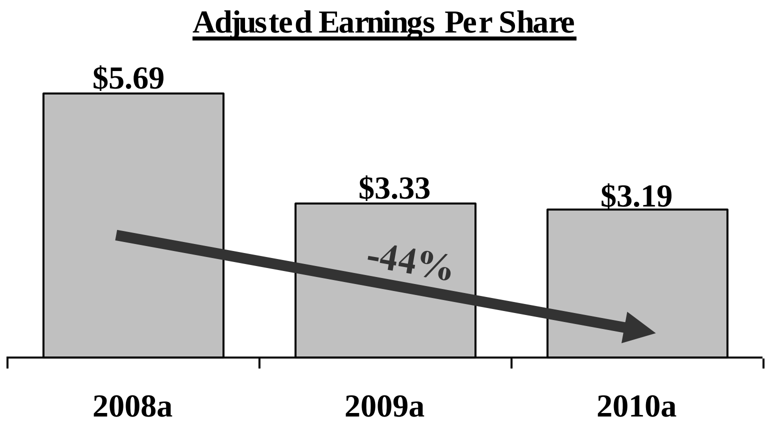
(2) Represents State Street's operating earnings and adjusted to exclude investment gains / losses, insurance recoveries, and provision for loan losses.

A Need to Manage Through the Cycle (Cont'd)

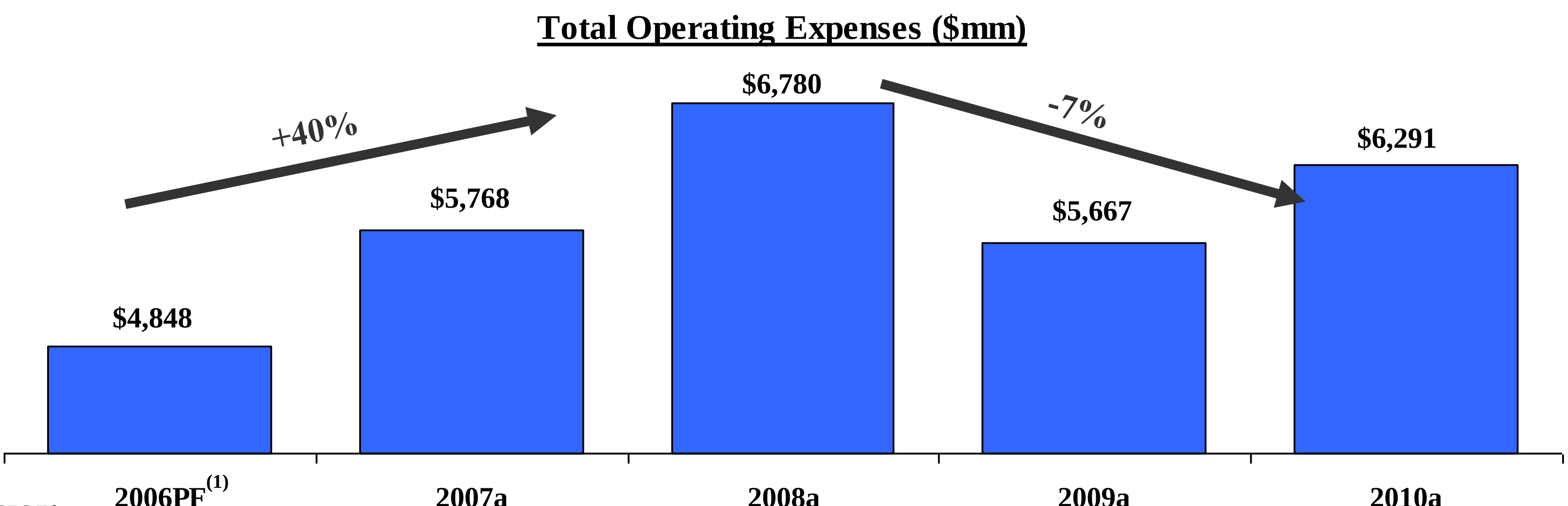
5. When Capital Markets and Net Interest Revenue Inevitably Declined



6. Earnings Per Share Collapsed



7. Because State Street allowed its cost base to balloon in the good times and failed to rationalize costs when cyclical revenue reverted to norms



Source: SEC Filings.

(1) Represents FY 2006 State Street and Investors Financial combined financial statements pro forma for management's publicly targeted cost synergies. See Appendix A.

Capital Allocation Decisions Have Also Impaired Value

- In the past 5 years, State Street deployed approximately $11bn of shareholder capital into acquisitions, integration expenses, restructuring charges and capital expenditures. Additionally, it recorded a $6.1bn pre-tax charge associated with the consolidation of conduit assets in 2009, of which we estimate ~$3.0-$3.5bn was ultimately realized.

Acquisitions

- **Approximately $8bn ($16 per share; ~45% of current market capitalization) spent on acquisitions (Investors Financial and Currenex: $4.9bn; Intesa Sanpaolo Servicing and Mourant: $2.3bn + capital support of $800mm)**
- **Average multiple was 27.2x(1) forward earnings, ~250% higher than State Street's current multiple of 8.0x forward earnings(2)**

Integration & Restructuring

- **Approximately $900mm invested to improve margins and achieve synergies**
- **Margins have declined the past few years**
- **No surprise that investors appear to be skeptical of the latest $575-$625mm restructuring initiative – particularly given large-up front costs and back-end loaded savings**

Capital Expenditures

- **Over $2bn spent on capital expenditures from 2006 – 2010**
- **Despite better systems and infrastructure, compensation and non-compensation expenses have increased as a percentage of net revenue since 2006**

Massive Share Issuances to Offset Capital Losses

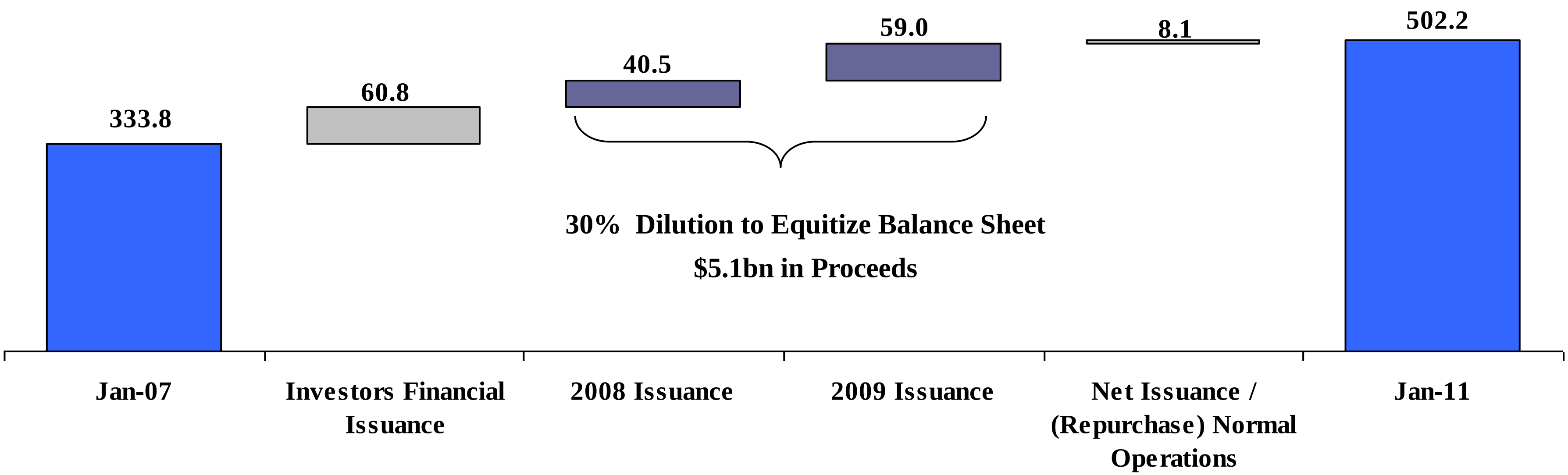
- **$6.1bn recorded loss on consolidation of conduits, of which we estimate ~$3.0 - $3.5bn was ultimately realized (well in excess of management guidance of $850mm)**
- **Shareholders were <u>permanently</u> diluted 30% by two share issuances in 2008 and 2009**
- **<u>Today's capital allocation policy places a low priority on reducing the share count,</u> as management is again talking about potential acquisitions(3)**

Source: SEC Filings, Bloomberg Estimates, State Street investor conference calls.
(1) Represents the weighted average forward acquisition multiple of Investors Financial and Intesa Sanpaolo's Securities Services business (including capital support and intangible amortization for Intesa).
(2) 2011 Consensus Estimates. Adjusts share price for $4.50 of excess capital assuming 9.5% Basel III Tier 1 Common Ratio
(3) Source: Earnings calls and investor day transcripts.

Shares Outstanding Have Increased While EPS has Declined

- Despite significant core capital generation, State Street's share count has increased ~50% since January 2007

Common Shares Outstanding Bridge (mm)



% Dilution	**+18%**	**+12%**	**+18%**	**+2%**	**+50%**

Source: SEC Filings.

"Non-Recurring" Charges Have Been A Recurring Problem

- **In each year since 2007, State Street has incurred gross non-recurring charges of more than 30% of EBT adding to $19 per share ($15 per share net of non-recurring gains and income)**
- **Even excluding conduit losses, gross non-recurring charges are over $3bn**

	Fiscal Year Ending December 31,					
	2006a	**2007a**	**2008a**	**2009a**	**2010a**	**Cumul. 06-10**
Adjusted EBT - TEB	**$1,801**	**$2,653**	**$3,751**	**$2,330**	**$2,365**	**$12,900**
Less: Taxable equivalent adjustment	(45)	(58)	(104)	(126)	(129)	(462)
"EBT before non-recurring items - GAAP"	**$1,756**	**$2,595**	**$3,647**	**$2,204**	**$2,236**	**$12,438**
(+) Gains / (losses) on investment securities	15	(27)	(54)	141	(286)	(211)
(+) Gains / (losses) on CitiStreet interest	-	-	350	-	-	350
(+) Insurance recovery	-	-	-	-	115	115
(+) Accretion on consolidated SIV's	-	-	-	621	712	1,333
(+) Interest income / (expense) on ALMF activities	-	-	(30)	7	-	(23)
(+) One time reduction in compensation due to SSgA charge	-	141	-	-	-	141
Less: Charge on consolidation of conduits	-	-	-	(6,100)	-	(6,100)
Less: Provision for loan losses	-	-	-	(149)	(25)	(174)
Less: Provision for legal exposure	-	(600)	-	(250)	-	(850)
Less: Securities lending charge	-	-	-	-	(414)	(414)
Less: Provision for investment account Infusion	-	-	(450)	-	-	(450)
Less: UK bonus tax	-	-	-	-	(7)	(7)
Less: SSgA related charge	-	(8)	-	-	-	(8)
Less: Customer indemnification obligation	-	-	(200)	-	-	(200)
Less: Restructuring charges	-	-	(306)	-	(156)	(462)
Less: Merger & acquisition integration charges	-	(198)	(115)	(49)	(89)	(451)
Reported EBT	**$1,771**	**$1,903**	**$2,842**	**($3,575)**	**$2,086**	**$5,027**
Gross non-recurring charges(1)	-	(833)	(1,155)	($6,548)	(977)	(9,513)
% - EBT before non-recurring items	0%	-32%	-32%	-297%	-44%	-76%
Net non-recurring items(2)	$15	($692)	($805)	($5,779)	($150)	($7,411)
% - EBT before non-recurring items	1%	-27%	-22%	-262%	-7%	-60%

Per Share Total
~$19
~$15

Source: SEC Filings.

(1) Represents gross expenses and charges excluding one-time income and SIV accretion.

(2) Represents all non-recurring items above, including non-recurring gains, income and SIV accretion.

Frequent Legal & Customer Related Charges

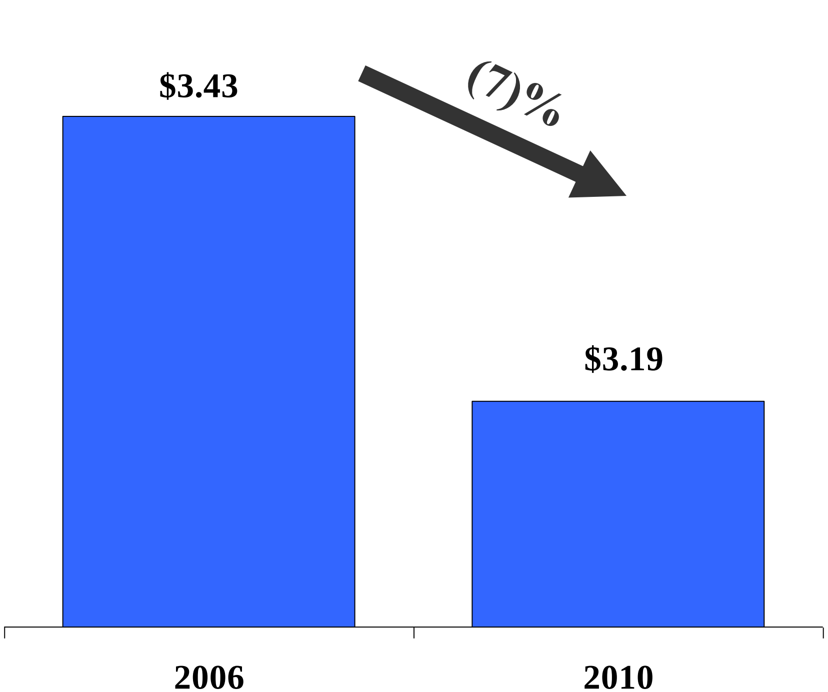
- **Approximately $850mm in legal provisions related to SSgA actively managed fixed income funds**
  - Approximately $600mm provision in 2007 for lawsuits related to ~$8bn in actively managed fixed income (AUM that was purported to be invested in subprime against fund mandates) [(1)]
  - $250mm in additional charges related to actively managed fixed income AUM to settle regulatory inquiries by the SEC, Massachusetts Secretary of State and Massachusetts Attorney General's office
- **$414mm in securities lending charges**
  - Cash contribution, reserve and associated costs related to collective trust funds managed by SSgA
  - Additional potential losses of up to $120mm in a suit by investors relating to agency securities lending program
- **$650mm in charges related to impaired collateral in customer accounts**
  - $450mm investment account infusion related to investment accounts managed by SSgA
  - $200mm customer indemnification charges
- **Numerous ongoing investigations and lawsuits brought by federal and state regulators with respect to State Street's foreign exchange services**
  - $12mm settlement with the State of Washington
- **Eighty-percent of these charges, or $1.6bn, are allocated to the Investment Management segment**
  - Given the lack of controls exhibited by these charges, it is not surprising that Investment Management has had sub-30% margins

Source: SEC filings, investor conference calls.
(1) See September 30, 2007 earnings call.

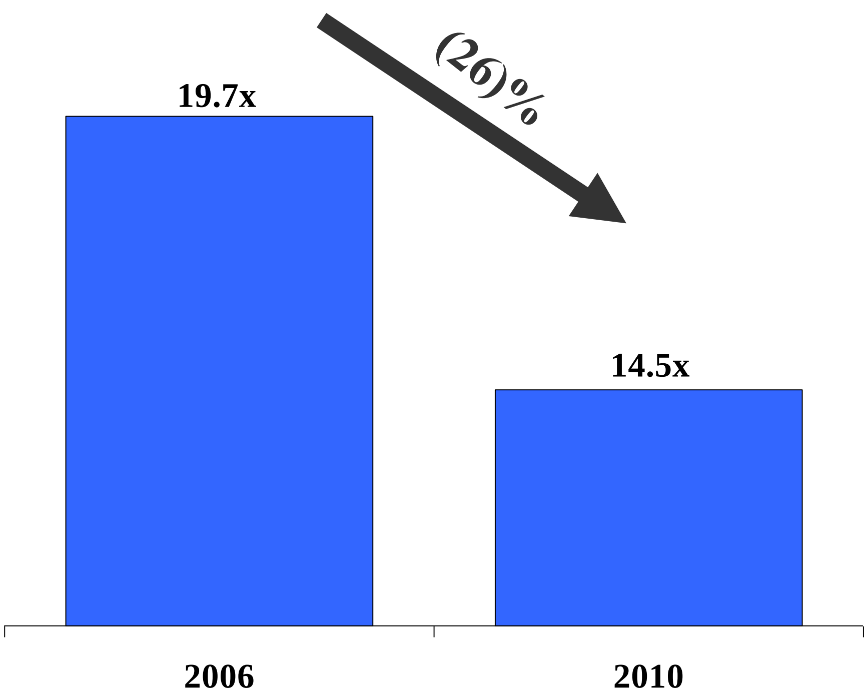
The Result: Shareholders Have Suffered EPS Declines & Multiple Contraction

- Despite significant asset and revenue growth, State Street has not delivered shareholder value
- Since 2006, EPS has declined 7% and State Street's earnings multiple has contracted significantly
- Today, after deducting $4.50 of excess capital from its share price, State Street trades at only 8.0x consensus 2011 EPS[3]

State Street Operating EPS[1]



State Street Price / LTM Operating EPS[2]



Source: SEC Filings. Consensus estimates from Bloomberg.

(1) Excludes investment security gain, insurance reserve recoveries, and provision for loan losses. See Appendix B for adjustments to State Street's operating earnings.

(2) Calculated as year end share price divided by prior year operating EPS. Note: LTM multiples utilized due to 2007's non-recurring cyclical earnings.

(3) 2011 Consensus Estimates. Adjusts share price for $4.50 of excess capital assuming 9.5% Basel III Tier 1 Common Ratio.

2011 Investor Day Left Investors With More Questions Than Answers

Does management understand the purpose of growth is to generate total shareholder returns?

- *Little mention of total shareholder returns, EPS growth or return on invested capital*
- *Scale seems to be the only lens through which State Street defines progress*: domestic revenue growth, international revenue growth, real estate presence, number of employees
- Much of the discussion centered on State Street's *"global expansion"*

Is the new cost reduction plan real?

- $400-$450mm of capital spend; much of the savings requires implementation of technologies management has had difficulty explaining (cloud computing, etc.)
- Half of the savings are derived from a ~12% reduction in State Street's $2.5bn "non-comp" expense line – but extremely limited detail about these costs was given
- Reductions in force represent less than 5% of State Street's 29,000 employee base
- Two-thirds of the cost savings are achieved outside of 3 years

Why the lack of specific targets?

- Management says cost savings will flow through to the bottom-line but has not committed to consolidated profit or margin targets
- Past State Street restructuring initiatives do not inspire confidence that promised savings will be realized

State Street's investor day provided little clarity on promised initiatives and underscored the lack of focus on total shareholder returns.

Source: State Street Investor Day transcript, SEC Filings, Company Presentations, and State Street Press Releases.

Shareholders Are Increasingly Frustrated

Questions from the 2010/11 investor days highlight investors' concerns

"I guess you're the equivalent of building Battlestar Galactica for a financial firm. I mean, you get a benefit of $600mm four years down the road. I still feel like we don't have enough details about milestones along the way. Maybe if you – Jim and Chris – the number of facilities or servers that could be consolidated or the portion of applications that will be cloud-enabled or the percent reduction in maintenance, just a little bit more meat on the bones, I think, might help make this more concrete."

"So at the end of the day, are we going to see a lot of money spent and maybe not as much savings flow through net of pricing concessions?"

"And I ask that from the standpoint over the, you know, the first ten slides show growth over the last decade in terms of the size of the company, assets, showed a nice slide about the acquisition you might make in Europe lots of ratios on capital. So, I'm confused as to how you're balancing the returns that I get as an investor, return on invested capital on equity versus the desire for growth..."

"You just lost your risk manager. That's the second one in three years and, you're emphasizing risk management. What went wrong?"

Note: Quotes represent select investor questions from State Street's 2010 and 2011 Analyst Days.

Trian Action Plan:

Trian believes the mindset and culture at State Street has prioritized growth (in AUCA, AUM and revenue) over profitability. The "land grab" mentality must transition to a focus on EPS growth, return on invested capital and maximizing total shareholder returns

- **To re-earn investor's confidence and trust, Trian believes State Street must commit to the following:**
  - Redefine success as growth in profitability and shareholder returns, not growth in revenue and headcount
  - Set an explicit long-term earnings before tax ("EBT") margin target of ~35% by 2014 as well as interim targets. Trian believes State Street's Operations and I/T Transformation Program targeting $575-$625mm of savings lacks credibility in the absence of explicit consolidated margin targets. Management must provide more transparency and detail around its savings plan to assure shareholders of a credible path to value creation and positive operating leverage
  - Prioritize returning capital to shareholders over dilutive mergers and acquisitions
  - Eliminate non-recurring charges
  - Consider a separation of Investment Management and Investment Servicing to unlock value
  - Improve State Street's corporate governance profile

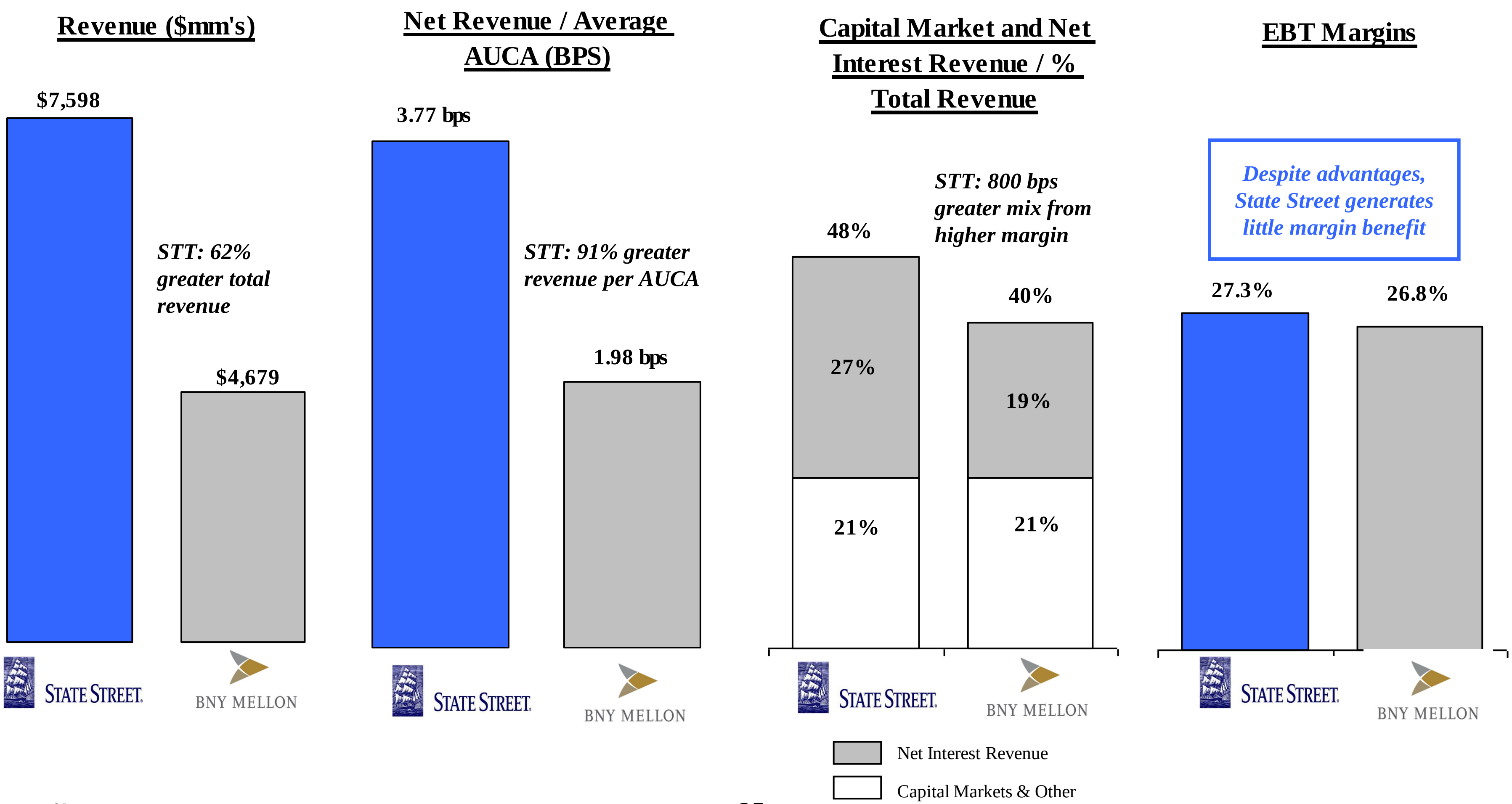
1. Commit to Grow Margins & Profitability

- **State Street's EBT margin declined 480 bps from 2006[1] through 2010, from 32% to 27[2]%**
  - Significantly higher compensation expense today than in 2006
  - Significantly higher non-compensation expense as a percentage of net revenue despite revenue and AUCA growth
  - When compared to peers, both Investment Servicing and Investment Management margins are below State Street's operating potential
- **Management has attempted to address margin declines by announcing a $575-$625mm savings initiative through 2014. We believe there are several problems:**
  - Analysts and investors do not appear to understand the plan nor do they believe that State Street will capture the full savings (despite analysts projecting State Street to increase its revenue ~25% by 2013, consensus EBT margins are only 30%, 200 bps lower than they would be if $400mm of incremental cost savings were added to the current EBT margin)[3]
  - State Street's plan is back-end loaded
  - State Street has not guided to a specific margin target once cost savings are captured
- **We believe the company should:**
  - Commit to a mid-30% consolidated EBT margin (35% servicing and 40% Investment Management) by 2014 and to leveraging compensation and non-compensation expenses
  - Set interim margin targets to help track performance
  - Provide more details around the $575-$625mm profitability initiative, while initiating a broader examination of costs and potentially identifying even greater savings

Source: SEC Filings, Company Presentations, and State Street Investor Calls.
(1) Pro forma for Investors Financial and promised cost synergies.
(2) Excludes $115mm insurance recovery and investment security gains.
(3) Source: Bloomberg estimates as of October 14, 2011. Comparisons to 2010 FY numbers. Note: Management guidance is for $400mm of the $600mm cost savings to be achieved by 2013 with the full $600mm to be achieved in 2014.

Benchmarking Investment Servicing Margins → A Significant Opportunity

- Benchmarking State Street's Investment Servicing revenue mix and margins versus its largest competitor, Bank of New York Mellon, suggests State Street's margins are too low
- We believe State Street should structurally have higher margins than Bank of New York Mellon given its superior scale, higher value-added products and significantly greater net interest revenue



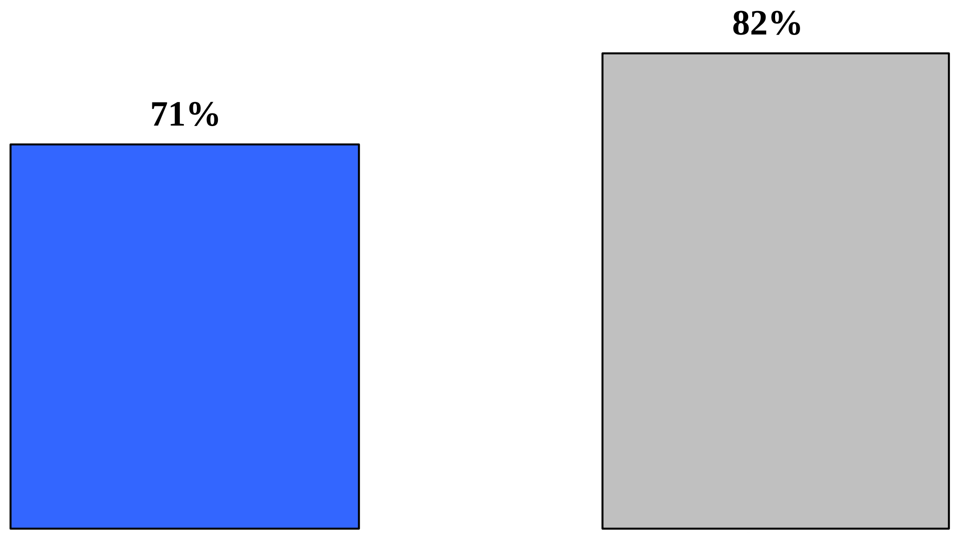
Source: SEC filings.

Note: Adjusted margins on a taxable equivalent basis. See Appendix C.

Benchmarking Investment Servicing Margins → A Significant Opportunity

- In recognition of the need to improve both margins and pricing, Bank of New York Mellon began reporting a new metric on its Q1 2011 earnings report: "Investment Servicing Fees as a Percentage of Non-Interest Expense"
  - This metric depicts the amount by which servicing fees cover the expense base of the custodian. Taking the inverse of this metric implies that State Street's Investment Servicing segment's costs exceeded its servicing fees by 40% compared to only 22% at Bank of New York Mellon's Asset Servicing division
  - Bank of New York Mellon's stated goal is to drive this number higher by becoming more efficient and less reliant on capital markets income to drive performance
- While we understand that Investment Servicing contracts are priced holistically, we believe this metric provides additional support for the margin underperformance at State Street

2010 Investment Servicing Fees as a Percentage of Non Interest Expense[1]



STATE STREET

BNY MELLON

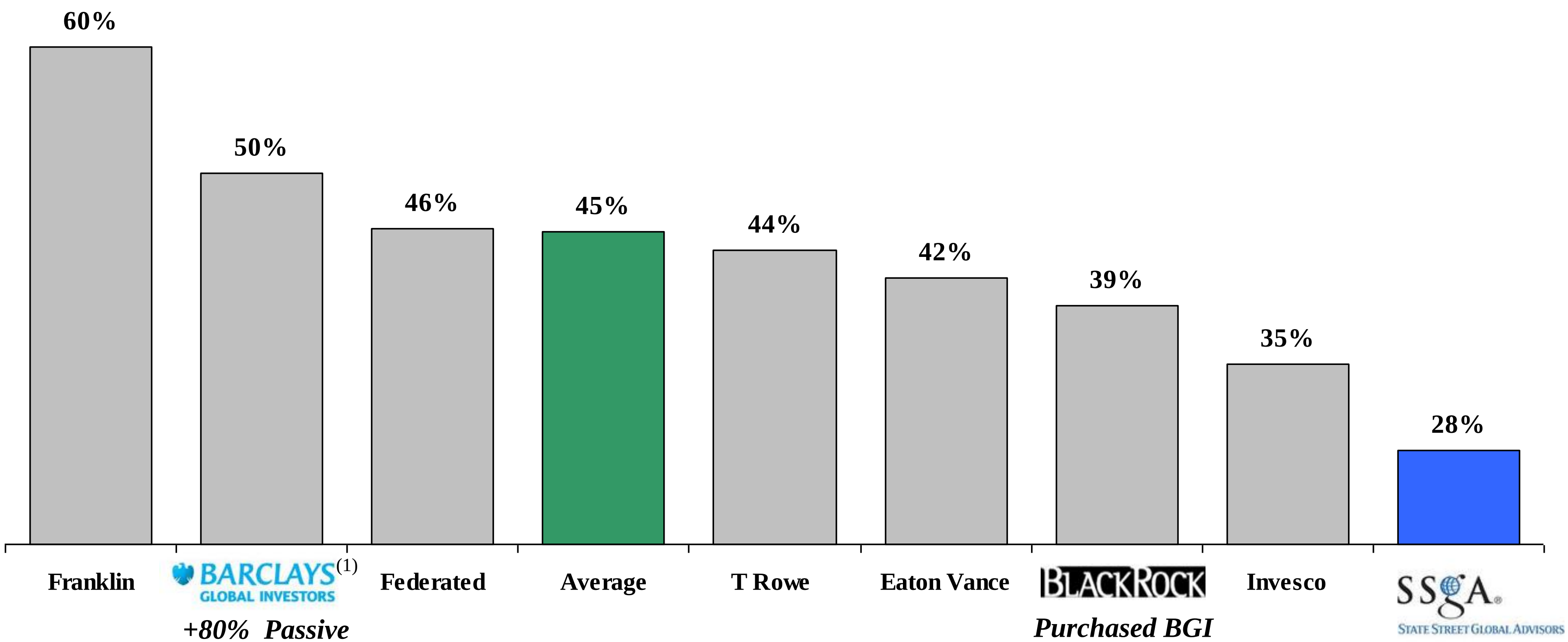
Source: SEC Filings, Investor Calls.

(1) Source: SEC Filings. Investment Servicing Divisions only.

Investment Management Margins Are Also Too Low

- Despite operating as nearly a pure play passive platform, State Street's Investment Management margins meaningfully lag the peer average of ~ 45% and BlackRock's margin of 39%
- There are no pure-play passive managers, but passive products should have higher margins than active. Barclay's Global Investors (BGI) generated a 50% operating margin in 2008, its last fiscal year prior to being purchased by BlackRock in 2009
- Larry Fink, on BlackRock's 4th Quarter 2010 earnings call, confirmed this: "There is no question, on ETF and index products our margins are huge. It's the highest margin business for us, or it's one of the highest margin businesses for us"

Asset Manager Adjusted Operating Margin (CYE 12/31/10)



Source: SEC filings. Note: Legg Mason and Affiliated Managers excluded due to affiliate model.
Note: Margins calculated on revenue net of distribution and servicing costs.
(1) Barclay's Global Advisors represents FYE 12/31/08 and excludes interest income from consolidated funds. See BlackRock Form 8-k dated 12/4/2009.

<u>Compensation Expense Needs to Be Levered</u>

- Shareholders should benefit from State Street's scale through annual operating leverage in compensation and benefits
- BlackRock has committed to better leveraging compensation expense earlier this year:
  - "Our compensation-to-revenue ratio came in at 34.8%. This is the low end of the range of what we have been running for the last several years. We have been running in the 35% zone. <u>It is down almost a half point from our 2009 margin and really is consistent with our focus of realizing the benefits of beta flowing through to our shareholders."</u> - Larry Fink, BlackRock Earnings Call (1/25/2011)
- We believe State Street is structurally better positioned to leverage comp expense than Blackrock

	BlackRock	State Street
Importance of Scale	**High**	**High**
Barriers to Entry	**Low**	**High**
Shareholder Capital Utilized	**Low**	**High**
Stickiness of Customers	**Low**	**High**
Risk of Personnel "Bid Away"	**High**	**Low**
Ability to Consolidate to Lower Cost Locations	**Low**	**High**

2. Prioritize Returning Capital to Shareholders Over M&A

- **State Street has spent significant capital on M&A, restructurings, capital expenditures and balance sheet repairs in recent years, many of which have diminished shareholder value**

- **Today, State Street trades at a depressed multiple of 8.0x 2011 EPS(1) despite trough margin levels – well below intrinsic value in our view**

- **At State Street's 11.8% tier 1 common ratio, it has between $4.50 and $7.50 of excess capital per share (13%-22% of its market capitalization), assuming its capital requirements are between 8.0% and 9.5%. Furthermore the company is generating over $4.00 per share of capital annually (net income + intangible amortization) equating to approximately a 12% yield**

- **We believe State Street should target returning the vast majority of capital in excess of its regulatory requirements to shareholders. While this is not immediately possible in today's regulatory environment, we believe that the lack of guidance leaves open the possibility that this capital will continue to build and be earmarked for dilutive M&A**

At the current valuation, Trian believes that management must prioritize returning capital to shareholders over M&A and should clearly signal this to the market

(1) Represents 2011 consensus estimates. Note State Street's P/E ratio is adjusted for $4.50 of excess capital above a Basel III ratio of 9.5%.

3. Put An End To Non-Recurring Charges

- **Non-recurring charges ($9.5bn since 2007; over $3.0bn excluding conduit-related losses) have been a major cause of value leakage at State Street**
  - When special items are highlighted by companies and added back to Adjusted EPS every quarter for several years in a row, we believe management teams lose credibility, investors have less trust in the numbers and valuation multiples decline

- **When Trian invested in Heinz in early 2006, the company had recognized non-recurring charges in each of the past eight years, adding up to 14% of cumulative GAAP EPS**
  - Not surprisingly, Heinz' valuation multiple had declined over time and the company traded at a low multiple relative to peers
  - From FY 2006 to FY 2011, Heinz has successfully delivered 5 consecutive years of performance with essentially no special items. We believe this is a major reason why Heinz enjoys a strong valuation multiple today

- **To re-gain investor confidence and improve its valuation, we believe State Street must commit to eliminate non-recurring charges**
  - In addition to the benefits to its share price, we believe a company-wide mandate would apply additional pressure on business units and managers to generate "clean" results without the crutch of add-backs to "adjusted earnings"

4. Consider Separating SSgA: A Highly Strategic & Valuable Asset

SSgA is a Tier 1 asset management business focused on the passive marketplace. Nevertheless, the business has below average margins and suffers from non-recurring charges. As a standalone entity, SSgA could be better positioned to close the margin gap versus peers, receive a multiple re-rating over time, and may have significant strategic value to other industry participants.

- **SSgA, in our view, is meaningfully undervalued as part of State Street**
  - State Street trades at 8.0x consolidated EPS vs. Large Cap Asset Managers at ~12.8x[(1)]
- **SSgA, we believe, would be a "must own" standalone asset management company for investors**
  - Only substantially pure play passive player
  - 2nd largest publicly traded asset manager by AUM
  - Margin expansion opportunity
  - Leading organic flow growth
  - Leading international exposure
  - Potential acquisition candidate
- **A more focused management team could work to optimize performance**
  - Significant margin expansion opportunity
  - More focused management team can work to eliminate non-recurring charges
  - Flexibility to allocate resources towards highest ROI opportunities
- **Existing State Street management would be free to focus on Investment Servicing, a business where we see significant opportunities for improvement**

(1) Represents 2011 consensus estimates. Note State Street's P/E ratio is adjusted for $4.50 of excess capital above a Basel III ratio of 9.5%.

5. Corporate Governance Initiatives

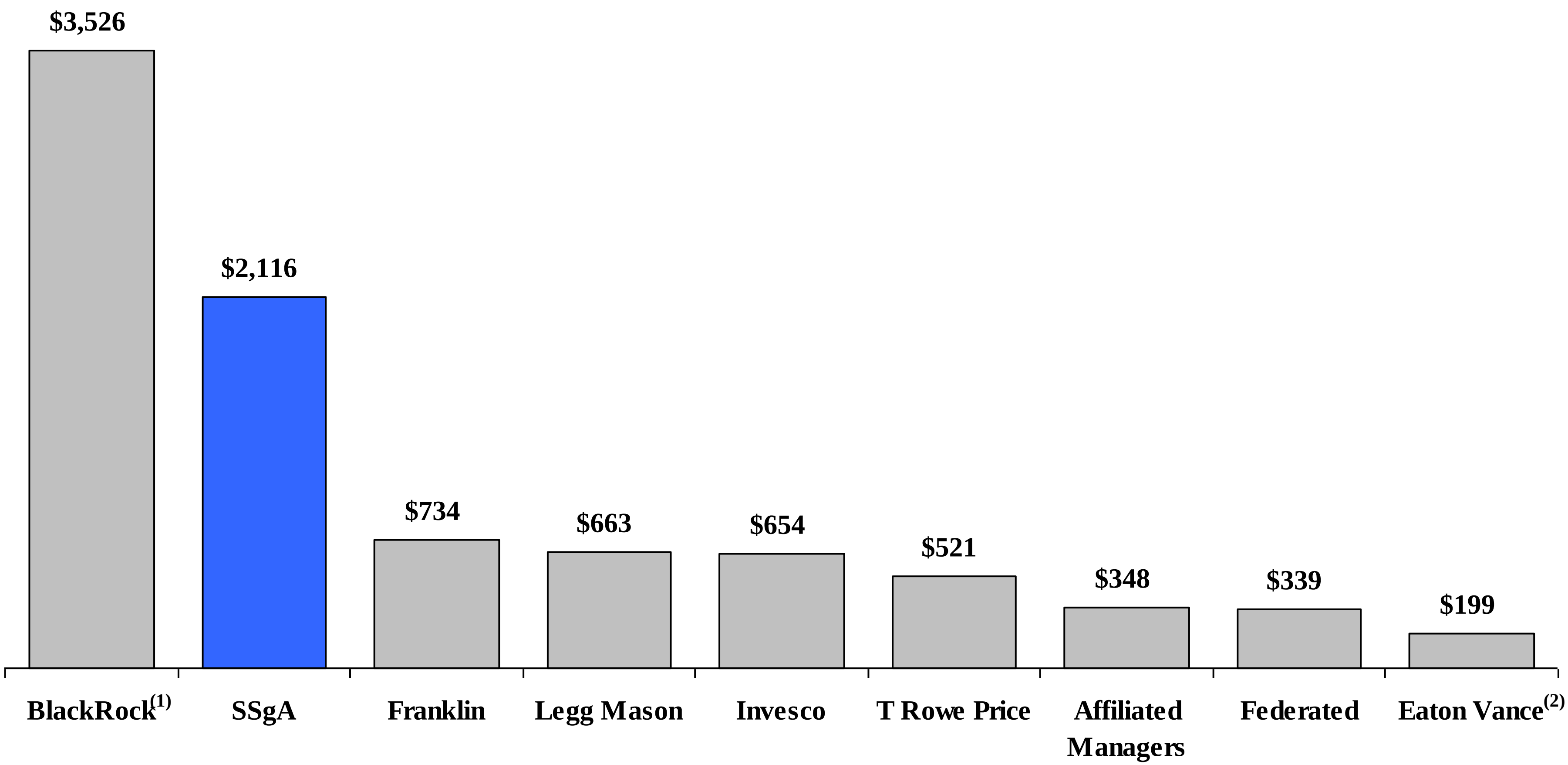
- **Chairman of the Board should be an independent director**
  - Role of the Board is to provide independent oversight of management and the CEO
  - An independent Chairman helps minimize potential conflicts of interest and promotes risk oversight
  - A separate Chairman frees the CEO to manage the Company and build effective business strategies
  - An independent Board Chairman provides better balance of power between the CEO and the Board and supports strong, independent Board leadership and functioning

- **Owners of 20% of State Street's voting securities should have the right to call a special meeting of shareholders**
  - Currently holders of 40% of the outstanding voting stock can call a special meeting
  - A 40% threshold is too high a threshold in our view to provide shareholders with a meaningful ability to call a meeting in order to vote on important matters between annual meetings
  - We believe an ownership threshold of 20% to call a special meeting strikes a reasonable balance between enhancing shareholder rights and protecting against the risk that a small minority of shareholders could trigger a special meeting resulting in unnecessary financial expense and disruption to State Street's business

SSgA Has Significant Scale

- **SSgA would be the second largest publicly traded asset manager by AUM. It would also be the only substantially pure play passive asset manager**

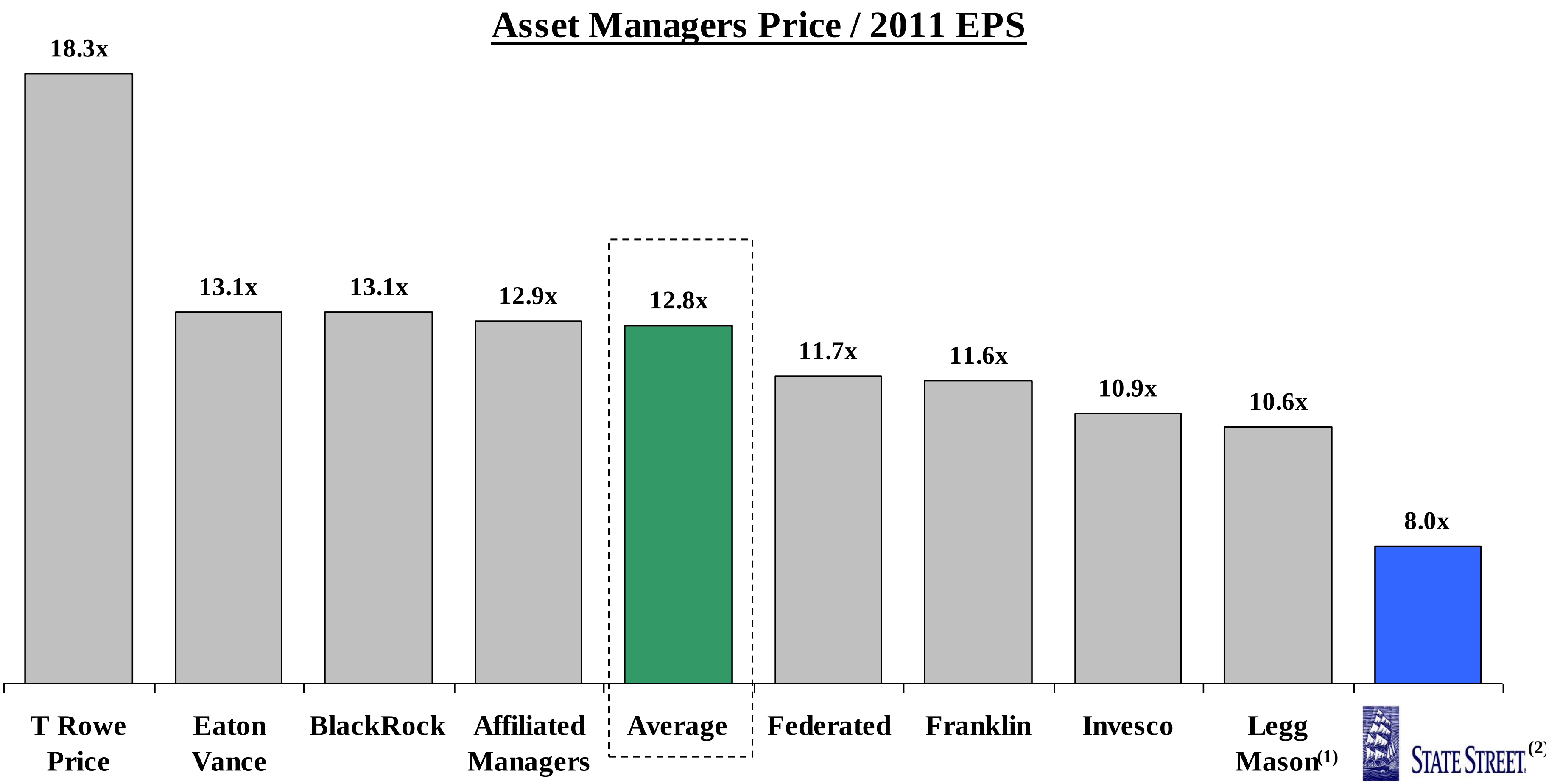
Asset Managers by 6/30/11 Asset Under Management ("AUM") ($bn's)



Source: SEC Filings.
(1) Excludes advisory AUM of $133bn.
(2) Note: As of July 31, 2011.

Asset Management Comps Trade At Premium Multiples vs. State Street

- **Pure-play asset management companies trade at meaningfully higher multiples than State Street**
- **We believe SSgA could command one of the highest valuations in the asset management industry given its leadership position in passive asset management**



Source: Bloomberg estimates as of 10/14/11.
(1) Adjusts share prices for $8 NPV of tax assets at a 7% discount rate.
(2) Adjusts share price for $4.50 of excess capital above Basel III 9.5% Tier 1 Common Ratio.

Trian's Operating Plan for State Street:

Revenue Growth

- +6.3% blended organic growth vs. management's 7-10% organic target
  - +6.0% Investment Servicing
  - +8.0% Investment Management

Margins

- Cost base reduced to reflect current plans and inefficiencies
  - $600mm costs removed from Investment Servicing
  - $80mm costs removed from Investment Management
- Excluding cost savings above, per annum expense growth less than revenue growth by:
  - +50bps Investment Servicing
  - +200bps Investment Management
- 36% consolidated margins in 2015
  - 35% Investment Servicing (assumes cost savings hit bottom line and minimal operating leverage beyond costs saves)
  - 39% Investment Management (Investment managers do +40% margins with passive products and money markets traditionally achieving higher margins)

Capital Management

- Maintain a +9.5% tier 1 common ratio (Basel III Convention) at all times
- All excess capital is deployed into share repurchases & dividends (20% payout ratio)

Valuation

- ~13.5x Forward Earnings for Consolidated Business
  - 13.0x – Investment servicing
  - 16.0x – Investment Management
- Valuation below historical average of approximately 18x's forward earnings(1)

Source: SEC Filings, Capital IQ.
(1) Source: Capital IQ. Denotes average forward P/E multiple over 2000 – 2010 time period.

Potential Financial Impact of Trian's Operating Plan

($ in millions, except per share values)

Income Statement	Investment Servicing 2010a	Investment Servicing 2015e	Investment Servicing % CAGR 10 - 15	Investment Management 2010a	Investment Management 2015e	Investment Management % CAGR 10 - 15	Consolidated 2010a	Consolidated 2015e	Consolidated % CAGR 10 - 15
Net Revenue	$7,598	$10,168	6.0%	$1,058	$1,554	8.0%	$8,656	$11,722	6.3%
Core Cash Costs	$5,346	$6,987	5.5%	$766	$1,025	6.0%	$6,112	$8,012	5.6%
Less: Cost Savings	0	600		0	80		0	680	
Cash Costs	$5,346	$6,387	3.6%	$766	$945	4.3%	$6,112	$7,332	3.7%
Amortization	179	208		0	0		179	208	
Adjusted EBT	**$2,073**	**$3,573**	**11.5%**	**$292**	**$609**	**15.9%**	**$2,365**	**$4,182**	**12.1%**
% - Margin	27%	35%		28%	39%		27%	36%	
Taxes	664	1,251		93	213		758	1,464	
Net Income	$1,409	$2,323	10.5%	$198	$396	14.8%	$1,607	$2,718	11.1%
Less: Participating Securities	0	0		0	0		(18)	(18)	
Net Income - Common	$1,409	$2,323		$198	$396		$1,590	$2,701	
Average DSO	497.9	367.5	-5.9%	497.9	367.5	-5.9%	497.9	367.5	-5.9%
Adjusted EPS	**$2.83**	**$6.32**	**17.4%**	**$0.40**	**$1.08**	**22.0%**	**$3.19**	**$7.35**	**18.1%**
x Forward P/E Multiple		13.0x			16.0x			13.5x	
Implied 2014 Share Value		**$82**			**$17**			**$99**	

- Trian's operating plan results in 18% EPS growth per annum over the next 5 years:
  - Grow net revenue at approximately a 6% CAGR
  - Increase EBT margins to 36% by achieving $680mm of cost savings and modest operating leverage
  - Prudently repurchase shares, reducing shares outstanding by approximately 25%, or ~6% per annum
- We believe that reasonable revenue growth, strong operating leverage and a consistent return of capital to shareholders will improve State Street's shareholder return equation and allow State Street, over time, to re-rate to a 13.5x forward earnings multiple
- Based on our own analysis, and our implied share value, we believe there would be an implied 40% IRR to shareholders over the slightly over three year investment horizon[(1)]

Source: SEC Filings.

(1) Includes dividends of 20% of net income.

Appendix A: Summary Income Statement[1]

	FYE December 31,			2006	Fiscal Year End December 31,				
	IFIN-06	STT -06	Synergies[1]	Pro Forma	2006a	2007a	2008a	2009a	2010a
Average earning assets	$11,288	$92,665		$103,953	$92,665	$104,550	$132,625	$122,923	$126,256
EB assets under custody and admin. ("AUCA")	2,212	15,648		17,860	15,648	20,213	15,907	18,795	21,527
Average assets under custody and admin. ("AUCA")	2,003	14,428		16,430	14,428	17,931	18,060	17,351	20,161
Average assets under management ("AUM")	0	1,600		1,600	1,600	1,877	1,731	1,709	1,981
i. Core net interest revenue (TEB)	$164	$1,155		$1,319	$1,155	$1,788	$2,784	$2,062	$2,116
Servicing fees	$454	$2,723		$3,177	$2,723	$3,388	$3,745	$3,276	$3,938
Management fees	0	943		943	943	1,141	1,028	824	829
ii. Core fee revenue	$454	$3,666		$4,120	$3,666	$4,529	$4,773	$4,100	$4,767
Trading services	$27	$862		$889	$862	$1,152	$1,467	$1,094	$1,106
Securities finance	81	386		467	386	681	1,230	570	318
Processing fees & other	75	272		347	272	271	277	171	349
iii. Ancillary fee revenue	$183	$1,520		$1,703	$1,520	$2,104	$2,974	$1,835	$1,773
Total adjusted net revenue (i. + ii. + iii.)	**$801**	**$6,341**		**$7,142**	**$6,341**	**$8,421**	**$10,531**	**$7,997**	**$8,656**
Salaries and employee benefits	$327	$2,652	($200)	$2,779	$2,652	$3,397	$3,842	$3,037	$3,517
Information systems & communication	74	501	(42)	533	501	546	633	656	713
Transaction processing	61	496	(42)	516	496	619	644	583	653
Occupancy	34	373	(31)	375	373	408	465	475	463
Other expenses	83	475	(40)	518	475	706	1,052	780	766
Amortization of intangibles	0	43	83	126	43	92	144	136	179
Total adjusted expenses	$579	$4,540	($272)[2]	$4,848	$4,540	$5,768	$6,780	$5,667	$6,291
Adjusted EBT	**$222**	**$1,801**		**$2,294**	**$1,801**	**$2,653**	**$3,751**	**$2,330**	**$2,365**
Less: taxes					650	967	1,360	694	758
Adjusted net income					$1,151	$1,686	$2,391	$1,636	$1,607
Less: Earnings allocated to participating securities / pfd's					0	0	(22)	(57)	(18)
Adjusted net income - common					$1,151	$1,686	$2,369	$1,579	$1,590
Average diluted shares outstanding					335.7	365.5	416.1	474.0	497.9
Adjusted EPS (Trian convention)					**$3.43**	**$4.61**	**$5.69**	**$3.33**	**$3.19**
Employees	4,265	21,700	(1,700)[3]	24,265	21,700	27,110	28,475	27,310	28,670
Memo: Tax rate					36.1%	36.4%	36.2%	29.8%	32.0%

(1) Source: SEC Filings and Investors Financial conference call (2/5/2007).

(2) Cost synergy projections represent management guidance. Non-compensation related synergies are allocated on a pro-rate basis. Management guided between $345mm - $365mm total cost synergies.

(3) Headcount reduction guided to be 1,700.

Appendix B: Bridge to Reported Financials

	FYE December 31		Fiscal Year End December 31,				
	IFIN-06	**STT -06**	**2006a**	**2007a**	**2008a**	**2009a**	**2010a**
Bridge to reported GAAP EPS							
Adjusted EBT	$222	$1,801	$1,801	$2,653	$3,751	$2,330	$2,365
(+) Gains / (losses) on investment securities	3	15	15	(27)	(54)	141	(286)
(+) Gains / (losses) on CitiStreet interest	-	-	-	-	350	-	-
(+) Insurance recovery in other opex (10-K p. 52)	-	-	-	-	-	-	115
(+) Accretion on consolidated SIV's	-	-	-	-	-	621	712
(+) Interest income / (expense) on ALMF activities	-	-	-	-	(30)	7	-
(+) One time reduction in comp due to SSgA charge	-	-	-	141	-	-	-
Less: Charge on consolidation of conduits	-	-	-	-	-	(6,100)	-
Less: Provision for loan losses	-	-	-	-	-	(149)	(25)
Less: Provision for legal exposure	-	-	-	(600)	-	(250)	-
Less: Securities lending charge	-	-	-	-	-	-	(414)
Less: Provision for investment account infusion	-	-	-	-	(450)	-	-
Less: UK bonus tax	-	-	-	-	-	-	(7)
Less: SSgA related charge	-	-	-	(8)	-	-	-
Less: Customer indemnification obligation	-	-	-	-	(200)	-	-
Less: Restructuring charges	-	-	-	-	(306)	-	(156)
Less: Merger and integration costs	-	-	-	(198)	(115)	(49)	(89)
Less: Taxable equivalent adjustments	-	(45)	(45)	(58)	(104)	(126)	(129)
Reported EBT	$224	$1,771	$1,771	$1,903	$2,842	($3,575)	$2,086
Less: Income tax expense	70	675	675	642	1,031	(1,694)	530
Reported Net income	$154	$1,096	$1,096	$1,261	$1,811	($1,881)	$1,556
Less: Allocated to participating securities / pfd's	-	-	-	-	(22)	(163)	(16)
(+) Income / (loss) from discontinued operations	-	10	10	-	-	-	-
Reported Net income - common	$154	$1,106	$1,106	$1,261	$1,789	($2,044)	$1,540
Average Diluted shares outstanding	67.5	335.7	335.7	365.5	416.1	474.0	497.9
Reported EPS (GAAP numbers)	**$2.28**	**$3.29**	**$3.29**	**$3.45**	**$4.30**	**($4.31)**	**$3.09**
Reported EPS (10-K)	2.28	3.29	3.29	3.45	4.30	(4.31)	3.09
Check	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: SEC Filings.

Appendix C: Bridge to State Street Operating EPS

	Fiscal Year End December 31,				
	2006a	**2007a**	**2008a**	**2009a**	**2010a**
Bridge to adjusted EPS (State Street convention)					
Adjusted EBT (Trian methodology)	$1,801	$2,653	$3,751	$2,330	$2,365
(+) Security gains / (losses)	15	(27)	(54)	141	58
(+) Insurance recovery	0	0	0	0	115
Less: Provision for loan losses	0	0	0	(149)	(25)
Adjusted EBT (State Street methodology)	$1,816	$2,626	$3,697	$2,322	$2,513
Less: Taxes	655	957	1,340	692	805
Adjusted Net income	$1,161	$1,669	$2,357	$1,630	$1,708
Less: Participating securities / pfd's	0	0	(22)	(57)	(18)
Adjusted Net income common	$1,161	$1,669	$2,335	$1,573	$1,691
Average Diluted shares outstanding	335.7	365.5	416.1	474.0	497.9
Adjusted EPS common (State Street convention)	**$3.46**	**$4.57**	**$5.61**	**$3.32**	**$3.40**
Operating EPS (8-K)	$3.46	$4.57	$5.61	$3.32	$3.40
Check	0.00	0.00	0.00	0.00	0.00
Memo: implied tax rate	36%	36%	36%	30%	32%

Source: SEC Filings.

Appendix D: Segment Level Financials

	Investment Servicing	Investment Management	Total Adjusted	Non-Recurring Items	Total Reported
Servicing fees & management fees	$3,938	$829	$4,767	$0	$4,767
Trading services	1,106	0	1,106	-	1,106
Securities finance	265	53	318	-	318
Processing fees and other	225	124	349	-	349
Net interest revenue (TEB)[1]	2,064	52	2,116	583	2,699
Gains / (losses) related to investment securities, net	-	-	-	(286)	(286)
Net revenue	**$7,598**	**$1,058**	**$8,656**	**$297**	**$8,953**
Expenses from operations	$5,525	$766	$6,291	$0	$6,291
Provision for loan losses	-	-	-	25	25
UK bonus tax[2]	-	-	-	7	7
Insurance recovery[2]	-	-	-	(115)	(115)
Restructuring charges	-	-	-	156	156
Merger & integration charges	-	-	-	89	89
Securities lending charge	-	-	-	414	414
Total expenses	**$5,525**	**$766**	**$6,291**	**$576**	**$6,867**
EBT	**$2,073**	**$292**	**$2,365**	**($279)**	**$2,086**
% - Margin	27.3%	27.6%	27.3%	NM	23.3%

Source: SEC Filings.

(1) Taxable equivalent adjustments and accretion allocated on a percentage of net interest revenue.

(2) Allocated to segments on a percentage of revenue basis.