STATE STREET Corp
Form 424B5
May 19, 2009
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The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-157882

SUBJECT TO COMPLETION, DATED MAY 19, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus Dated March 12, 2009)

State Street Corporation

$ % Senior Notes due

The senior notes in the aggregate principal amount of $ will mature on and bear interest at % per annum. Interest on the senior notes is payable semi-annually in arrears on and of each year, commencing , 2009. State Street Corporation may not redeem the senior notes prior to their maturity. There is no sinking fund for the senior notes. The senior notes will rank equally with all other existing and future senior unsecured indebtedness of State Street Corporation.

This debt is not guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program.

Investing in the senior notes involves risks. See Risk Factors beginning on page S-11.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price(1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to State Street Corporation(1)	%	$

(1) Plus accrued interest, if any, from May , 2009, if settlement occurs after that date.

On May 18, 2009, we agreed to sell approximately 51.3 million shares of our common stock in a public offering at a price per share of $39.00 (or $37.83 per share after underwriting discounts and commissions). We granted the underwriters of that offering an option to purchase up to approximately 7.7 million additional shares of our common stock. The sale of our common stock is expected to close on May 22, 2009, subject to customary closing conditions. The completion of this offering is not conditioned upon the closing of the sale of the common stock, and the closing of the sale of the common stock is not conditioned upon the completion of this offering.

The senior notes will not be listed on any securities exchange. Currently, there is no public trading market for the senior notes. The underwriters expect to deliver the senior notes to purchasers in book-entry form only through the facilities of The Depository Trust Company and its direct participants, including the Euroclear System and Clearstream Banking S.A., on or about May , 2009.

Joint Book-Running Managers

Goldman, Sachs & Co. **Morgan Stanley**

The date of this prospectus supplement is , 2009.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information on page S-44.

In this prospectus supplement, State Street, we, our, ours and us refer to State Street Corporation, which is a financial holding company headquartered in Boston, Massachusetts, and its subsidiaries on a consolidated basis, unless the context otherwise requires. References to State Street Bank mean State Street Bank and Trust Company. If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Currency amounts in this prospectus supplement are stated in U.S. dollars.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus or information contained in a free writing prospectus that we authorize to be delivered to you. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and in the documents referred to in this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain statements that are considered forward-looking statements within the meaning of the United States securities laws. In addition, State Street and its 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, se may, will, trend, target and goal, or similar statements or variations of such terms. Forward-looking statements may include, among other thi statements about our confidence in our strategies and our expectations about financial performance, market growth, acquisitions and divestitures, new technologies, services and opportunities and earnings.

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

- global financial market disruptions and the current worldwide economic recession, and monetary and other governmental actions designed to address such disruptions and recession in the U.S. and internationally;

- the impact of our consolidation for financial reporting purposes, effective as of May 15, 2009, of the asset-backed commercial paper conduits that we administer, including the possible increase in the volatility of our net interest revenue, changes in the composition of the assets on our consolidated balance sheet and the possibility that we may be required to change the manner in which we fund those assets;

- the financial strength and continuing viability of the counterparties with which we or our clients 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;

- 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;

- the possibility of our customers incurring substantial losses in investment pools where we act as agent, and the possibility of further general reductions in the valuation of assets;

- our ability to attract deposits and other low-cost, short-term funding;

- potential changes to the competitive environment, including changes due to the effects of consolidation, extensive and changing government regulation and perceptions of State Street as a suitable service provider or counterparty;

the level and volatility of interest rates and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally;

our ability to measure the fair value of the investment securities on our consolidated balance sheet;

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- the results of litigation, government investigations and similar disputes and, in particular, the effect of current or potential proceedings concerning State Street Global Advisors , or SSgA s, active fixed-income strategies and other investment products, and the enactment of legislation and changes in regulation and enforcement that impact us and our customers;

- adverse publicity or other reputational harm;

- our ability to pursue acquisitions, strategic alliances and divestures, finance future business acquisitions and obtain regulatory approvals and consents for acquisitions;

- the performance and demand for the products and services we offer, including the level and timing of withdrawals from our collective investment products;

- our ability to continue to grow revenue, attract highly skilled people, control expenses and attract the capital necessary to achieve our business goals and comply with regulatory requirements;

- our ability to control operating risks, information technology systems risks and outsourcing risks, the possibility of errors in the quantitative models we use to manage our business and the possibility that our controls will fail or be circumvented;

- the potential for new products and services to impose additional costs on us and expose us to increased operational risk, and our ability to protect our intellectual property rights;

- changes in government regulation or new legislation, which may increase our costs, expose us to risk related to compliance or impact our customers;

- restrictions and limitations associated with our participation in the U.S. Treasury s Troubled Asset Relief Program, or TARP, capital purchase program and our ability to repurchase the preferred stock and warrants issued by us under that program;

- changes in accounting 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 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 prospectus supplement, the accompanying prospectus or in our other Securities and Exchange Commission, or SEC, filings. Forward-looking statements should not be relied upon as representing our expectations or beliefs as of any date subsequent to the date of this prospectus supplement. We undertake no obligation to revise the forward-looking statements contained in this prospectus supplement to reflect events after the date of this prospectus supplement. The factors discussed above and elsewhere in this prospectus supplement, the accompanying prospectus or in our other SEC filings are not intended to be a complete summary of all risks and uncertainties that may affect our businesses. We cannot anticipate all potential economic, operational and financial developments that may adversely impact our operations and our financial results.

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 our SEC filings described under the Section entitled Where You Can Find More Information on page S-44, all of which are accessible on the SEC s website at www.sec.gov.

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SUMMARY

This summary highlights information contained elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the senior notes. You should read this entire prospectus supplement and accompanying prospectus, including the Risk Factors section and the documents incorporated by reference, which are described under Where You Can Find More Information on page S-44.

State Street Corporation

State Street Corporation is a financial holding company organized under the laws of The Commonwealth of Massachusetts. Through our subsidiaries, we provide a full range of products and services for institutional investors worldwide.

We were organized in 1969 and conduct our business primarily through our principal bank subsidiary, State Street Bank. State Street Bank traces its beginnings to the founding of the Union Bank in 1792. The charter under which State Street Bank now operates was authorized by a special act of the Massachusetts Legislature in 1891, and its present name was adopted in 1960.

With $11.34 trillion of assets under custody and $1.40 trillion of assets under management at March 31, 2009, we are a leading specialist in meeting the needs of institutional investors worldwide. Our customers include mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. Including the United States, we operate in 27 countries and more than 100 geographic markets worldwide.

Our common stock is listed on the New York Stock Exchange under the ticker symbol STT . Our executive offices are located at One Lincoln Street, Boston, Massachusetts 02111, and our telephone number is (617) 786-3000.

Risk Factors

An investment in the senior notes involves certain risks. You should carefully consider the risks described in the Risk Factors section beginning on page S-11 of this prospectus supplement, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the notes thereto, before making an investment decision.

Recent Developments

Common Stock Offering

On May 18, 2009, we agreed to sell approximately 51.3 million shares of our common stock in a public offering at a price per share of $39.00 (or $37.83 per share after underwriting discounts and commissions), with Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated acting as joint book-running managers. We granted the underwriters of that offering an option to purchase up to approximately 7.7 million additional shares of our common stock. The sale of our common stock is expected to close on May 22, 2009, subject to customary closing conditions. The completion of this offering is not conditioned upon the closing of the sale of the common stock, and the closing of the sale of the common stock is not conditioned upon the completion of this offering.

Conduit Consolidation

Effective May 15, 2009, we elected to take action that resulted in the consolidation onto our consolidated balance sheet of all of the assets and liabilities of the four third-party-owned, special-purpose, multi-seller asset-backed commercial paper programs that we administer, referred to as conduits. The consolidation of the conduits was completed pursuant to the provisions of Financial Accounting Standards Board Interpretation No. 46(R)

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following the voluntary redemption of the conduits outstanding subordinated debt. We consolidated the conduits only for accounting purposes and have not legally acquired the conduits assets and liabilities. The conduits remain separate and distinct legal entities, and their commercial paper programs continue to operate substantially in accordance with past practice.

In connection with the consolidation of the conduits, (1) we recorded a pre-tax extraordinary loss of approximately $6.1 billion, or approximately $3.7 billion after-tax, in our consolidated statement of income, (2) we added conduit assets, primarily mortgage- and asset-backed securities, which as of May 15, 2009 had an aggregate par value of approximately $22.7 billion and an aggregate fair value of approximately $16.6 billion, to our consolidated balance sheet and (3) we increased our third-party liabilities, primarily short-term commercial paper, on our consolidated balance sheet to a new total of $20.9 billion as of May 15, 2009. Upon consolidation, the aggregate fair value of the conduit assets was established as their book value, resulting in a discount to par value. To the extent that the assets cash flows exceed their book value, the discounts will accrete as interest revenue over the lives of the assets in accordance with U.S. generally accepted accounting principles, or GAAP.

Following consolidation, our aggregate investment securities portfolio continues to be concentrated in securities with high credit quality, with approximately 81% of the carrying value of the portfolio rated AAA or AA as of May 15, 2009, compared to 83% for the investment securities portfolio immediately prior to consolidation. Because of our recognition upon consolidation of the unrealized loss on the conduit assets, the consolidation of the conduits did not affect the net unrealized loss on our investment portfolio. The net pre-tax unrealized loss on the investment portfolio as of May 15, 2009 was $8.6 billion, or $5.3 billion after-tax, compared to $9.5 billion, or $5.9 billion after-tax, at March 31, 2009.

Results of Stress Test

On May 7, 2009, the Board of Governors of the Federal Reserve System announced the results of its forward-looking capital assessment, referred to as the Supervisory Capital Assessment Program, or the SCAP, that was administered to the 19 largest U.S. bank holding companies, including State Street. The Federal Reserve determined that, under the stress test administered under the SCAP, we did not need additional capital.

The SCAP s stress test methodology assumed two scenarios: a baseline scenario reflecting a current market outlook and a more adverse scenario. The Federal Reserve concluded that we had a sufficient capital buffer to withstand even the stress test s more adverse scenario, which was applied assuming consolidation of the conduits onto our consolidated balance sheet during 2009. The information used to apply the stress test was prepared in accordance with the assumptions and methodologies required by the SCAP. The information utilized does not reflect our outlook and is not intended to be a representation of our expected future performance or financial condition.

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Selected Consolidated Financial Information(1)

	Quarters Ended March 31, 2009(2)	Quarters Ended March 31, 2008(2)	Years Ended December 31, 2008	Years Ended December 31, 2007(3)
	(Dollars in millions, except per share amounts or where otherwise noted)			
Fee Revenue:				
Servicing fees	$ 766	$ 960	$ 3,745	$ 3,388
Management fees	181	278	1,028	1,141
Trading services	245	366	1,467	1,152
Securities finance	181	303	1,230	681
Processing fees and other	49	54	277	271
Total fee revenue	1,422	1,961	7,747	6,633
Net Interest Revenue:				
Interest revenue	738	1,288	4,879	5,212
Interest expense	174	663	2,229	3,482
Net interest revenue	564	625	2,650	1,730
Gains (Losses) related to investment securities, net	16	(9)	(54)	(27)
Gain on sale of CitiStreet interest, net of exit and other associated costs			350	
Total revenue	2,002	2,577	10,693	8,336
Provision for loan losses	84			
Expenses:				
Salaries and employee benefits	731	1,062	3,842	3,256
Information systems and communications	161	155	633	546
Transaction processing services	131	162	644	619
Occupancy	121	110	465	408
Provision for legal exposure				600
Provision for investment account infusion			450	
Restructuring charges			306	
Merger and integration costs	17	26	115	198
Other	143	259	1,396	806
Total expenses	1,304	1,774	7,851	6,433
Income before income tax expense	614	803	2,842	1,903
Income tax expense	138	273	1,031	642
Net income	$ 476	$ 530	$ 1,811	$ 1,261
Net income available to common shareholders	$ 445	$ 530	$ 1,789	$ 1,261
Earnings Per Common Share:				
Basic(4)(5)	$ 1.03	$ 1.36	$ 4.32	$ 3.49
Diluted	1.02	1.35	4.30	3.45
Cash dividends declared per common share	0.01	0.23	0.95	0.88
Return on common equity	15.7%	18.7%	14.8%	13.4%
Average Common Shares Outstanding (in thousands):				
Basic	432,179	387,942	413,182	360,675
Diluted	435,299	393,647	416,100	365,488
Assets under custody (in trillions)	$ 11.34	$ 14.90	$ 12.04	$ 15.30
Assets under management (in trillions)	1.40	1.96	1.44	1.98

(1) Information has not been adjusted to reflect consolidation of the conduits onto our consolidated balance sheet or to give effect to the completion of this offering or the sale of our common stock described above under the heading Recent Developments Common Stock Offering.
(2) Information for the quarters ended March 31, 2009 and March 31, 2008 is unaudited.
(3) Year ended December 31, 2007 includes financial results of Investors Financial, acquired by State Street in July 2007, for the quarters ended September 30 and December 31, 2007.
(4) Basic earnings per common share related to distributed earnings were \$0.24 and \$0.23 for the quarters ended March 31, 2009 and 2008, respectively, and related to undistributed earnings were \$0.79 and \$1.13 for the quarters ended March 31, 2009 and 2008, respectively.
(5) Basic earnings per common share related to distributed earnings were \$0.94 and \$0.86 for the years ended December 31, 2008 and 2007, respectively, and related to undistributed earnings were \$3.38 and \$2.63 for the years ended December 31, 2008 and 2007, respectively.

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Consolidated Statement of Condition(1)

	March 31, 2009(2)	December 31, 2008
	(Dollars in millions, except per share amounts)	
Assets		
Cash and due from banks	$ 3,539	$ 3,181
Interest-bearing deposits with banks	34,906	55,733
Securities purchased under resale agreements	1,291	1,635
Trading account assets	4,872	815
Investment securities available for sale	54,295	54,163
Investment securities held to maturity purchased under money market liquidity facility (fair value of $740 and $6,100)	740	