



STATE STREET

225 Franklin Street
Boston, MA 02110-2804
United States of America

News Release

Contact: Edward J. Resch
+1 617/664-1110

Investors: Kelley MacDonald
+1 617/664-3477

Media: Hannah Grove
+1 617/664-3377

IN THIRD QUARTER STATE STREET CORPORATION SAW LESS FAVORABLE MARKET CONDITIONS THAN IN FIRST HALF MARKET-DRIVEN REVENUES & EXPENSES DOWN FROM Q2 SERVICING AND MANAGEMENT FEES STEADY

Boston, MA ... October 12, 2004

State Street Corporation today announced third-quarter earnings per diluted share of \$0.52, or net income of \$177 million, on revenue of \$1.2 billion. These results compare to earnings per diluted share of \$0.60, or net income of \$202 million, on revenue of \$1.1 billion in the third quarter of last year. Total expenses in the third quarter of 2004 were \$906 million compared to \$821 million in the year-ago quarter. For the third quarter of 2004, return on stockholders' equity was 11.7%.

Operating earnings per diluted share for the third quarter were \$0.55, down 15% compared to operating earnings per diluted share of \$0.65 for the third quarter of 2003 and were down 19%, compared to the second quarter of 2004. Operating results for 2003 have been reduced by \$0.01 per diluted share reflecting the impact of the divested Private Asset Management business.

Operating revenue of \$1.2 billion in the third quarter of 2004 was up 6% from the third quarter of 2003, and down 9% from \$1.3 billion in the second quarter of 2004 due to the impact of market-driven revenue, primarily related to foreign exchange and securities lending revenue. Operating expenses of \$890 million in the third quarter of 2004 were up \$109 million, or 14%, from the third quarter of 2003, but down 5% from \$937 million in the second quarter. Return on stockholders' equity on an operating basis was 12.3% for the third quarter of 2004.

Operating revenue for the nine months ended September 30, 2004 was up 15%, from \$3.2 billion to \$3.7 billion, compared to the same period a year ago and operating earnings per share were up 20%, from \$1.58 to \$1.90. Operating expenses for same period were \$2.7 billion, an increase of 14% from \$2.4 billion in the year-ago period.

- MORE -

Results for the third quarter of 2004 include pretax merger and integration costs of \$16 million, or \$0.03 per diluted share due to the continuing integration of the Deutsche Bank Global Securities Services business (GSS), acquired in January 2003. Results for the third quarter of 2003 included pretax merger and integration costs of \$26 million related to the GSS acquisition, as well as restructuring costs, resulting in a net charge of \$0.06 per diluted share. Third quarter 2003 results also included the operating results of the divested Private Asset Management business which was sold in 2003.

For the nine months ended September 30, 2004, earnings per share of \$1.80 compared with \$0.82 for the year-ago period on revenues of \$3.7 billion in 2004 and \$3.2 billion in 2003, an increase of 14%. The 2004 results include \$50 million for merger and integration charges or \$0.10 per share; in 2003, merger and integration charges, restructuring charges, and other charges total to a charge of \$0.80 per share.

Commenting on the quarter, Ron Logue, State Street's chairman and chief executive officer, said, "While our investment servicing and management fees were up about 15% from the year-ago quarter and were flat with the second quarter of 2004, I am very disappointed with our results this quarter. We saw a sharp decline in foreign exchange, brokerage, and securities lending revenue in the quarter compared to the second quarter due to market activity. We lowered expenses, compared to the second quarter, but not at a significant enough level to offset the decline in these market-driven revenues. We are taking steps to align expenses with revenues, not as a reaction to this quarter's results, but as a conscious effort we began early in July. These changes will not only help us better absorb shifts in market-driven revenue, but more importantly, strategically allocate our resources."

He concluded, "We continued to win new business, adding a total of sixteen new asset servicing assignments in Europe and eight in Asia/Pacific. State Street Global Advisors had some impressive wins this year, both in Europe and in the US, adding \$104 billion in net new business. As we continue to grow, we will continue to look at our business, and find areas where we can either eliminate or combine units to achieve greater efficiency and capitalize on scale. As an initial result, we are in the process of restructuring our business in several areas: we are limiting our near-term investment in wealth manager services, integrating the management of our balance sheet into the Treasury group, combining corporate cash management with securities operations, and exiting the 529 education plan servicing business. As a result of these decisions and some others, we will eliminate about 425 positions, which will save us about \$50 million annualized with little impact on revenue. We expect to incur a charge of about \$25 million in the fourth quarter. We believe these actions will put us in a better position to achieve improved long-term results."

State Street is also announcing that it is reactivating its stock purchase program. The company currently has an 8.3 million stock purchase authorization.

In addition, the company is announcing that it is divesting its remaining high-net-worth investment management business, Bel Air Investment Advisors LLC and is in discussions to sell it back to the partners. The company expects to record pretax charges between \$150 and \$170 million upon closing which is expected to be completed during the first half of 2005.

In reporting its financial results, State Street has prepared information in two categories:

- “Reported” results are in accordance with generally accepted accounting principles (GAAP).
- “Operating” results are reported results for the three- and nine-month periods in 2004 excluding merger and integration costs, and for the three- and nine-month periods in 2003 excluding merger and integration costs, restructuring costs, and the results of a divested business, and for the nine-month period, the loss on the sale of certain real estate and the settlement of a state tax legislation issue. Operating results are presented on a taxable-equivalent basis.

State Street believes that non-GAAP financial information assists investors and others by providing them with financial information in a format that presents comparable financial trends of ongoing business activities.

THIRD-QUARTER OPERATING RESULTS VS. YEAR-AGO QUARTER

Operating revenue of \$1.2 billion in the third quarter of 2004 was up from \$1.1 billion or 6% from the third quarter of 2003.

Servicing fees were \$568 million, up \$63 million or 12%, from \$505 million in the year-ago quarter. The increase was attributable to new business from existing and new clients and by higher equity valuations in 2004. Total assets under custody were \$9.0 trillion, up 3%, compared with \$8.8 trillion in the year-ago quarter.

Management fees, generated by State Street Global Advisors, were \$156 million, up \$34 million, or 28%, compared to \$122 million in the year-ago quarter. The increase in management fees reflected new business from existing and new clients and higher equity valuations in 2004. Total assets under management were \$1.2 trillion, up 28%, compared to \$965 billion the previous year.

Average month-end values for the S&P 500 Index were up 11% from the third quarter of 2003; average month-end values for the MSCI[®] EAFE IndexSM were up 21%.

Securities lending revenue was \$48 million in the quarter, compared to \$61 million in the year-ago quarter, a decrease of 21%. The decrease reflects a short-term pressure on spreads from the recent increases in the target Fed funds rate, partially offset by a 22% increase in volume of securities on loan.

Foreign exchange trading revenue was \$75 million for the quarter, compared to \$101 million in the year-ago quarter, a decline of 26%. The decline was attributable to lower volatilities, lower cross-border investment activities by our clients and changes in mix.

Brokerage fees were \$31 million in the quarter, compared to \$28 million in the year-ago quarter, up 11%.

Net interest revenue was \$223 million, up \$7 million or 3% from \$216 million in the year-ago quarter. This increase was attributed to an increase in balance sheet size, offset largely by recent increases in the target Fed funds rate.

Operating expenses of \$890 million in the third quarter of 2004 were up \$109 million or 14% from the third quarter of 2003. Salaries and benefits expenses increased \$72 million to \$474 million, driven in part by an increase in incentive compensation due to the 20% increase in year-to-date performance. Merit increases and benefits costs also contributed to the increase. Higher expenses also included an increase of \$16 million in transaction processing services, due to higher volume-driven expenses, and an increase of \$29 million in other expense driven primarily by increased professional services expenses needed to support growth initiatives and compliance requirements.

The effective tax rate in the third quarter of 2004 was 34%, compared to 34% in the third quarter of 2003.

THIRD-QUARTER RESULTS VS. SECOND QUARTER

On a reported basis, third-quarter net income per diluted share of \$0.52, which included \$16 million, or \$0.03 per diluted share of merger and integration charges, was down 20% compared to second quarter net income per diluted share of \$0.65, which included \$16 million, or \$0.03 per diluted share of merger and integration charges. Total revenue in the third quarter of \$1.2 billion was down 9% versus \$1.3 billion in the second quarter. Total expenses in the third quarter of \$906 million were down 5% or \$47 million compared to \$953 million in the second quarter.

On an operating basis, third-quarter net income per diluted share was \$0.55 compared to second quarter net income per diluted share of \$0.68. Revenue decreased 9% to \$1.2 billion from \$1.3 billion and expenses decreased 5% to \$890 million from \$937 million.

GSS ACQUISITION UPDATE

On an operating basis, State Street's 2004 third-quarter results included \$0.04 earnings per share, after finance charges, on revenues of \$146 million and expenses of \$114 million, which includes "out-of-scope" GSS business. For the nine months ended September 30, 2004, operating earnings per diluted share totaled \$0.08. Based on current estimates, State Street now believes that the total GSS business will contribute between \$0.08 to \$0.10 in operating earnings per diluted share for 2004.

INVESTOR CONFERENCE CALL

State Street will webcast an investor conference call today, Tuesday, October 12, 2004, at 9:30 a.m. EDT, available at www.statestreet.com/stockholder. The conference call will also be available via telephone, at +1 719/457-2617 (confirmation code 286996). Recorded replays of the conference call will be available on the web site, and by telephone at +1 402/220-4230 (confirmation code 286996), beginning at 2:00 PM

today. This press release and additional financial information is available on State Street's website, at www.statestreet.com/stockholder, under "Financial Reports."

State Street Corporation (NYSE: STT) is the world's leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With \$9.0 trillion in assets under custody and \$1.2 trillion in assets under management, State Street operates in 24 countries and more than 100 markets worldwide and employs 20,000 people worldwide. For more information, visit State Street's web site at www.statestreet.com or call 877/639-7788 [NEWS STT] toll-free in the United States and Canada, or +1 202/266-3340 outside those countries.

This news announcement contains forward-looking statements as defined by United States securities laws, including statements about the financial outlook and business environment. Those statements are based on current expectations and involve a number of risks and uncertainties, including those related to the pace at which State Street adds new clients or at which existing clients use additional services, the value of global and regional financial markets, the pace of cross-border investment activity, changes in interest rates, the pace of worldwide economic growth and rates of inflation, the extent of volatility in currency markets, consolidations among clients and competitors, State Street's business mix, the dynamics of markets State Street serves, and State Street's success at integrating and converting acquisitions into its business. Other important factors that could cause actual results to differ materially from those indicated by any forward-looking statements are set forth in State Street's 2003 annual report and subsequent SEC filings. State Street encourages investors to read the Corporation's annual report, particularly the section on factors that may affect financial results, and its subsequent SEC filings for additional information with respect to any forward-looking statements and prior to making any investment decision. The forward-looking statements contained in this press release speak only as of the date hereof, October 12, 2004, and the Corporation will not undertake efforts to revise those forward-looking statements to reflect events after this date.

STATE STREET CORPORATION
Quarterly Financial Trends

September 30, 2004

Table of Contents

	Page
Operating Earnings Review	
Selected Financial Information	1
Income Statement Information on a Operating Results Basis	2
Reported Results Summary Trends	3
Operating Results Summary Trends	4
Financial Condition	
Consolidated Statement of Condition	5
Average Statement of Condition	6
Statement of Rates Earned and Paid	7
Average Balance Sheet Mix and Investment Securities Portfolio	8
Assets Under Custody and Management	9

STATE STREET CORPORATION
Selected Financial Information

CONSOLIDATED STATEMENT OF INCOME PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES

(Dollars in millions, except per share data)	Reported Results Quarter ended September 30,		Reported Results Nine months ended September 30,	
	2004	2003	2004	2003
Fee Revenue:				
Servicing fees	\$ 568	\$ 505	\$ 1,693	\$ 1,425
Management fees	156	141	456	396
Global securities lending	48	61	201	192
Foreign exchange trading	75	101	309	276
Brokerage fees	31	28	112	85
Processing fees and other	83	92	248	225
Total Fee Revenue	961	928	3,019	2,599
Net Interest Revenue:				
Interest revenue	463	364	1,255	1,162
Interest expense	250	161	613	562
Net interest revenue	213	203	642	600
Provision for loan losses	-	-	-	-
Net interest revenue after provision for loan losses	213	203	642	600
Gains on the sales of available-for-sale investment securities, net	-	(5)	19	29
Total Revenue	1,174	1,126	3,680	3,228
Operating Expenses:				
Salaries and employee benefits	474	407	1,446	1,294
Information systems and communications	127	140	396	410
Transaction processing services	95	80	294	231
Occupancy	88	84	262	231
Merger and integration costs	16	26	50	81
Restructuring costs	-	3	-	295
Other	106	81	319	252
Total operating expenses	906	821	2,767	2,794
Income before income taxes	268	305	913	434
Income taxes	91	103	299	159
Net Income	\$ 177	\$ 202	\$ 614	\$ 275
Earnings Per Share:				
Basic	\$.52	\$.61	\$ 1.83	\$.83
Diluted	.52	.60	1.80	.82
Average Shares Outstanding (in thousands):				
Basic	335,626	332,246	335,065	331,056
Diluted	339,348	336,568	340,529	334,160
Return on equity	11.7 %	12.0 %	13.8 %	8.7 %
Cash dividends declared per share	\$.16	\$.14	\$.47	\$.41

II. OTHER SELECTED FINANCIAL INFORMATION

(Dollars in millions, except per share data or where otherwise indicated)	Quarter ended September 30,	
	2004	2003
Assets under custody (in billions)	\$ 9,000	\$ 8,752
Assets under management (in billions)	1,236	965
Total assets	\$ 100,527	\$ 81,776
Long-term debt	2,436	2,151
Stockholders' equity	6,151	5,244
Closing price per share of common stock	\$ 42.71	\$ 45.00

STATE STREET CORPORATION
INCOME STATEMENT INFORMATION ON A OPERATING RESULTS BASIS

State Street prepares its Consolidated Statement of Income as presented on addendum page 1 in accordance with accounting principles generally accepted in the United States (GAAP).

In order to provide information on a comparable basis from period to period and assist stockholders, analysts, other external parties and management in analyzing State Street's financial results and trends for ongoing businesses and operations, State Street also presents a financial measure defined as Operating Results. State Street believes that such non-GAAP financial information assists investors and others by providing them financial information in a format that presents comparable financial trends of recurring business activities.

Operating results are a non-GAAP measure defined by State Street as reported results presented on a taxable-equivalent basis, adjusted for significant non-operating items and the related tax effects; For 2004, operating results exclude merger and integration costs, and for 2003, exclude the results of a divested business, merger and integration costs, restructuring costs, and for the nine months ended September 30, 2003, settlement of a state tax matter and the loss on sale of certain real estate.

The table set forth below contains State Street's selected consolidated Operating Results for the periods presented.

	Operating Results			Operating Results		
	Quarter ended September 30,			Nine months ended September 30,		
(Dollars in millions, except per share data)	<u>2004</u>	<u>2003 (1)</u>	<u>% Change</u>	<u>2004</u>	<u>2003 (2)</u>	<u>% Change</u>
Operating Fee Revenue:						
Servicing fees	\$ 568	\$ 505	12 %	\$ 1,693	\$ 1,425	19 %
Management fees	156	122	28	456	341	34
Global securities lending	48	61	(21)	201	192	5
Foreign exchange trading	75	101	(26)	309	276	12
Brokerage fees	31	28	11	112	85	32
Processing fees and other	83	92	(10)	248	237	5
Total Operating Fee Revenue	<u>961</u>	<u>909</u>	<u>6</u>	<u>3,019</u>	<u>2,556</u>	<u>18</u>
Operating Net Interest Revenue:						
Net interest revenue	223	216		675	639	
Provision for loan losses	-	-		-	-	
Operating net interest revenue after provision for loan losses (taxable-equivalent basis)	<u>223</u>	<u>216</u>	<u>3</u>	<u>675</u>	<u>639</u>	<u>6</u>
Gains on the sales of available-for-sale investment securities, net	-	(5)	(100)	19	29	(34)
Total Operating Revenue	<u>1,184</u>	<u>1,120</u>	<u>6</u>	<u>3,713</u>	<u>3,224</u>	<u>15</u>
Expenses - Operating Results:						
Salaries and employee benefits	474	402	18	1,446	1,276	13
Information systems and communications	127	140	(9)	396	409	(3)
Transaction processing services	95	79	20	294	230	28
Occupancy	88	83	6	262	227	15
Other	106	77	38	319	242	32
Total Expenses - Operating Results	<u>890</u>	<u>781</u>	<u>14</u>	<u>2,717</u>	<u>2,384</u>	<u>14</u>
Operating Income before income taxes	<u>294</u>	<u>339</u>	<u>(13)</u>	<u>996</u>	<u>840</u>	<u>19</u>
Income taxes	96	107		316	272	
Taxable-equivalent adjustment	10	13		33	39	
Net Operating Income	<u>\$ 188</u>	<u>\$ 219</u>	<u>(14)</u>	<u>\$ 647</u>	<u>\$ 529</u>	<u>22</u>
Diluted Operating Earnings Per Share	<u>\$.55</u>	<u>\$.65</u>	<u>(15)</u>	<u>\$ 1.90</u>	<u>\$ 1.58</u>	<u>20</u>

Notes:

- (1) Reflects restatement of previously issued operating-basis supplemental financial information to exclude the results of the divested Private Asset Management business, including \$19 million of revenue, \$11 million of expenses and \$.01 in diluted operating earnings per share.
- (2) Reflects restatement of previously issued operating-basis supplemental financial information to exclude the results of the divested Private Asset Management business, including \$56 million of revenue, \$34 million of expenses and \$.04 in diluted operating earnings per share.

STATE STREET CORPORATION
Reported Results Summary Trends
(Dollars in millions, except per share amounts, shares in thousands)

Reported results are presented in accordance with accounting principles generally accepted in the United States (GAAP).

Years Ended December 31,					Quarters Ended												
1999	2000	2001	2002	2003	2002	2003				2004							
					4th	1st	2nd	3rd	4th	1st	2nd	3rd					
					Reported Results												
					Fee revenue:												
\$ 1,063	\$ 1,298	\$ 1,433	\$ 1,531	\$ 1,950	\$ 388	\$ 438	\$ 482	\$ 505	\$ 525	\$ 555	\$ 570	\$ 568					
571	541	459	485	533	116	125	130	141	137	147	153	156					
155	192	272	226	245	49	55	76	61	53	64	89	48					
306	387	368	300	391	62	72	103	101	115	118	116	75					
67	95	89	124	122	38	30	27	28	37	45	36	31					
159	177	148	184	315	53	70	63	92	90	84	81	83					
2,321	2,690	2,769	2,850	3,556	706	790	881	928	957	1,013	1,045	961					
					Total Fee Revenue												
781	894	1,025	979	810	225	204	193	203	210	203	226	213					
14	9	10	4	-	1	-	-	-	-	-	-	-					
(45)	2	43	76	23	31	26	8	(5)	(6)	3	16	-					
282	-	-	-	-	-	-	-	-	-	-	-	-					
-	-	-	495	60	-	-	-	-	60	-	-	-					
-	-	-	-	285	495	-	-	-	285	-	-	-					
3,325	3,577	3,827	4,396	4,734	1,456	1,020	1,082	1,126	1,506	1,219	1,287	1,174					
21 %	8 %	7 %	15 %	8 %	- %	4 %	8 %	18 %	3 %	20 %	19	4					
					Growth over previous year												
1,313	1,524	1,663	1,654	1,731	411	443	444	407	437	462	510	474					
287	305	365	373	551	94	130	140	140	141	139	130	127					
237	268	247	246	314	65	72	79	80	83	96	103	95					
188	201	229	246	300	64	71	76	84	69	90	84	88					
-	-	-	-	110	-	37	18	26	29	18	16	16					
-	-	-	20	296	-	-	292	3	1	-	-	-					
332	373	393	302	320	70	81	90	81	68	103	110	106					
2,357	2,671	2,897	2,841	3,622	704	834	1,139	821	828	908	953	906					
968	906	930	1,555	1,112	752	186	(67)	305	678	311	334	268					
349	311	302	540	390	275	90	(34)	103	231	94	114	91					
\$ 619	\$ 595	\$ 628	\$ 1,015	\$ 722	\$ 477	\$ 96	\$ (23)	\$ 202	\$ 447	\$ 217	\$ 220	\$ 177					
					Operating earnings												
					Earnings per share:												
\$ 1.93	\$ 1.85	\$ 1.94	\$ 3.14	\$ 2.18	\$ 1.47	\$.29	\$ (.07)	\$.61	\$ 1.34	\$.65	\$.66	\$.52					
1.89	1.81	1.90	3.10	2.15	1.46	.29	(.07)	.60	1.33	.63	.65	.52					
					Average shares outstanding:												
321,320	321,678	325,030	323,520	331,692	323,520	329,569	331,325	332,246	333,579	334,635	334,930	335,626					
327,503	328,088	330,492	327,477	335,326	326,469	332,054	333,971	336,568	338,895	342,129	340,647	339,348					
					Per share:												
\$.30	\$.345	\$.405	\$.48	\$.56	\$.13	\$.13	\$.14	\$.14	\$.15	\$.15	\$.16	\$.16					
36.53	62.11	52.25	39.00	52.08	39.00	31.63	39.40	45.00	52.08	52.13	49.04	42.71					
					Cash dividends												
					Stock price at period end												
					Financial ratios:												
25.0 %	20.3 %	17.3 %	24.1 %	13.9 %	42.4 %	10.0 %	- %	12.0 %	15.6 %	14.8 %	14.9	11.7					
21.1	16.5	13.7	20.4	10.3	38.7	4.3	7.1	8.3	12.0	11.3	11.2	8.1					
15.6	18.7	21.0	15.4	25.9	8.9	45.0	-	23.2	11.2	23.2	24.4	30.4					
18.6	16.6	16.4	23.1	15.3	32.8	9.4	(2.1)	17.9	29.7	17.8	17.1	15.1					
					Return on equity												
					Internal capital generation rate												
					Dividend payout ratio												
					After tax margin												

STATE STREET CORPORATION
Operating Results Summary Trends (4)
(Dollars in millions, except per share amounts, shares in thousands, taxable equivalent)

State Street prepares its Consolidated Statement of Income as presented on addendum page 3 in accordance with accounting principles generally accepted in the United States (GAAP). That financial information includes significant, non-recurring, non-operating special items.

In order to provide information on a comparable basis from period to period and assist stockholders, analysts, other external parties and management in analyzing State Street's financial results and trends for ongoing businesses and operations, State Street also presents a financial measure defined as Operating Results. State Street believes that such non-GAAP financial information assists investors and others by providing them financial information in a format that presents comparable financial trends of recurring business activities. State Street's Operating Results are based on GAAP results, adjusted as follows:

Operating Results for all periods include fully taxable equivalent adjustments that increase net interest revenue to reflect investment yield on tax-free investments on an equivalent basis with taxable investments.

Operating results for 1999-2001 exclude goodwill amortization expense, which effective January 1, 2002, was no longer required under GAAP.

(1) 1999 operating results exclude the gain on the sale of the Commercial Banking business and a one-time charge from sales of securities related to reposition of the balance sheet.

(2) 2001 operating results exclude the loss on the write-down of State Street's total investment in Bridge Information Systems, Inc.

(3) 2002 operating results exclude the results of the divested Corporate Trust business, the gain on the sale of the divested business and restructuring costs for a reduction in force.

(4) 2003 operating results exclude the results of the divested Private Asset Management business, gains on sales of divested businesses, merger and integration expenses related to the acquisition of the GSS business, restructuring costs, settlement of a state tax matter and a loss on real estate sold.

(5) 2004 operating results exclude merger and integration expenses related to the acquisition of the GSS business.

The table set forth below contains State Street's selected consolidated Operating Results for the periods presented:

Operating Results ^(a)					Quarters Ended										
Years Ended December 31,					2002 ⁽³⁾				2003 ⁽⁴⁾				2004 ⁽⁵⁾		
1999 ⁽¹⁾	2000	2001 ⁽²⁾	2002 ⁽³⁾	2003 ⁽⁴⁾	4th	1st	2nd	3rd	4th	1st	2nd	3rd			
\$ 1,063	\$ 1,298	\$ 1,433	\$ 1,454	\$ 1,950	Operating Fee revenue:	\$ 369	\$ 438	\$ 481	\$ 506	\$ 525	\$ 555	\$ 570	\$ 568		
571	541	459	485	474	Servicing fees	116	108	111	122	133	147	153	156		
155	192	272	226	245	Management fees	49	55	77	60	53	64	89	48		
306	387	368	300	391	Global securities lending	62	72	103	101	115	118	116	75		
67	95	89	124	122	Foreign exchange trading	38	30	27	28	37	45	36	31		
159	177	198	180	327	Brokerage fees	52	69	76	92	90	84	81	83		
2,321	2,690	2,819	2,769	3,509	Processing fees and other	686	772	875	909	953	1,013	1,045	961		
					Total Operating Fee Revenue										
821	959	1,092	1,027	861	Operating net interest revenue, taxable-equivalent	236	217	206	216	222	214	238	223		
14	9	10	4	-	Provision for loan losses	1	-	-	-	-	-	-	-		
12	2	43	76	23	Gains/(losses) on the sales of available-for-sale investment securities, net	31	26	8	(5)	(6)	3	16	-		
3,140	3,642	3,944	3,868	4,393	Total Operating Revenue	952	1,015	1,089	1,120	1,169	1,230	1,299	1,184		
13 %	16 %	8 %	(2) %	14 %	Growth over previous year	- %	4 %	9 %	18 %	23 %	21 %	19 %	%		
1,313	1,524	1,663	1,622	1,712	Expenses - Operating Results:										
287	305	365	367	550	Salaries and employee benefits	404	436	438	402	436	462	510	474		
237	268	247	242	313	Information systems and communications	93	130	139	140	141	139	130	127		
188	201	229	240	295	Transaction processing services	64	72	79	79	83	96	103	95		
317	356	355	293	309	Occupancy	62	70	74	83	68	90	84	88		
2,342	2,654	2,859	2,764	3,179	Other	68	77	88	77	67	103	110	106		
798	988	1,085	1,104	1,214	Total Expenses - Operating Results	691	785	818	781	795	890	937	890		
259	317	331	335	395	Operating Income Before Income Taxes	261	230	271	339	374	340	362	294		
40	65	67	61	51	Income taxes	72	76	89	107	123	101	119	96		
\$ 499	\$ 606	\$ 687	\$ 708	\$ 768	Taxable-equivalent adjustment	15	13	13	13	12	11	12	10		
					Operating Net Income	\$ 174	\$ 141	\$ 169	\$ 219	\$ 239	\$ 228	\$ 231	\$ 188		
\$ 1.55	\$ 1.89	\$ 2.11	\$ 2.19	\$ 2.32	Operating earnings per share:										
1.52	1.85	2.08	2.16	2.29	Basic	.54	.43	.51	.66	.72	.68	.69	.56		
					Diluted	.54	.43	.50	.65	.71	.67	.68	.55		
321,320	321,678	325,030	323,520	331,692	Average Operating Shares Outstanding:										
327,503	328,088	330,492	327,477	335,329	Basic	323,520	329,568	331,324	332,246	333,579	334,635	334,930	335,626		
					Diluted	326,469	332,054	333,971	336,568	338,895	342,129	340,647	339,348		
20.1 %	20.7 %	18.9 %	16.8 %	14.8 %	Operating Financial Ratios:										
16.2	16.9	15.3	13.4	11.2	Return on equity	16.1 %	11.1 %	13.2 %	16.9 %	18.7 %	15.6 %	15.7 %	12.3 %		
19.3	18.3	19.2	21.7	24.3	Internal capital generation rate	12.4	7.9	9.5	13.4	13.6	12.2	12.0	8.9		
15.9	16.7	17.4	18.2	17.5	Dividend payout ratio	23.3	30.8	27.6	21.3	21.0	22.0	23.3	28.8		
					After tax margin	18.6	13.8	15.5	19.5	20.5	18.6	17.8	15.8		

(a) 1999-2002 have not been restated for Private Asset Management divestiture; 1999-2001 have not been restated for the Corporate Trust divestiture.

STATE STREET CORPORATION
CONSOLIDATED STATEMENT OF CONDITION

(Dollars in millions)	September 30, 2004	December 31, 2003	September 30, 2003
Assets			
Cash and due from banks	\$ 6,058	\$ 3,376	\$ 1,691
Interest-bearing deposits with banks	30,392	21,738	22,333
Securities purchased under resale agreements	10,378	9,447	8,737
Federal funds sold	2,700	104	-
Trading account assets	673	405	1,059
Investment securities	36,818	38,215	32,364
Loans (less allowance of \$36, \$61 and \$61)	5,512	4,960	6,168
Premises and equipment	1,431	1,212	1,154
Accrued income receivable	1,085	1,015	1,010
Goodwill	1,462	1,326	1,301
Other intangible assets	466	525	508
Other assets	3,552	5,211	5,451
Total Assets	\$ 100,527	\$ 87,534	\$ 81,776
Liabilities			
Deposits:			
Noninterest-bearing	\$ 9,793	\$ 7,893	\$ 10,690
Interest-bearing -- U.S.	6,093	5,062	3,746
Interest-bearing -- Non-U.S.	42,043	34,561	28,722
Total Deposits	57,929	47,516	43,158
Securities sold under repurchase agreements	20,702	22,806	21,895
Federal funds purchased	5,500	1,019	1,778
Other short-term borrowings	1,881	1,437	1,842
Accrued taxes and other expenses	2,513	2,424	2,199
Other liabilities	3,415	4,363	3,509
Long-term debt	2,436	2,222	2,151
Total Liabilities	94,376	81,787	76,532
Stockholders' Equity			
Preferred stock, no par: authorized 3,500,000; issued none			
Common stock, \$1 par: authorized 500,000,000; issued 337,126,000, 337,132,000 and 337,135,000	337	337	337
Surplus	287	329	336
Retained earnings	5,463	5,007	4,610
Accumulated other comprehensive (loss) income	86	192	126
Treasury stock at cost (576,000, 2,658,000 and 3,738,000 shares)	(22)	(118)	(165)
Total Stockholders' Equity	6,151	5,747	5,244

STATE STREET CORPORATION
Average Statement of Condition
(Dollars in millions)

Average for the Year					Average for the Quarter								
1999	2000	2001	2002	2003	2002	2003				2004			
					4th	1st	2nd	3rd	4th	1st	2nd	3rd	
\$ 13,043	\$ 16,399	\$ 20,548	\$ 24,341	\$ 22,538	\$ 25,549	\$ 23,149	\$ 22,364	\$ 21,580	\$ 23,069	\$ 25,829	\$ 28,638	\$ 28,348	
15,663	18,531	19,768	21,070	13,152	22,768	14,571	15,819	11,244	11,033	14,174	13,691	13,884	
652	1,186	716	516	393	537	319	355	545	352	478	280	202	
645	1,083	1,190	1,040	819	1,124	827	1,043	761	648	544	757	572	
7,230	8,308	8,434	12,051	20,046	13,976	16,349	19,494	21,106	23,148	21,463	21,876	23,039	
1,691	1,932	1,653	1,801	2,009	2,070	2,063	2,034	1,896	2,045	2,102	1,987	2,110	
3,780	4,954	7,258	7,323	9,049	7,642	7,653	8,460	9,567	10,479	11,608	11,047	10,854	
6,785	5,444	6,081	5,105	5,568	5,080	4,774	5,039	6,365	6,071	5,550	6,077	5,411	
49,489	57,837	65,648	73,247	73,574	78,746	69,705	74,608	73,064	76,845	81,748	84,353	84,420	
1,244	1,267	1,271	1,165	1,596	1,192	1,171	1,410	1,416	2,375	2,505	2,328	3,879	
3,362	3,819	4,406	4,673	7,503	4,905	6,781	7,571	7,357	8,287	8,724	8,237	7,517	
\$ 54,095	\$ 62,923	\$ 71,325	\$ 79,085	\$ 82,673	\$ 84,843	\$ 77,657	\$ 83,589	\$ 81,837	\$ 87,507	\$ 92,977	\$ 94,918	\$ 95,816	
\$ 3,178	\$ 2,779	\$ 4,903	\$ 9,472	\$ 5,810	\$ 9,860	\$ 6,742	\$ 6,588	\$ 5,059	\$ 4,879	\$ 6,236	\$ 7,478	\$ 6,333	
20,098	24,615	27,094	26,393	29,746	27,457	26,928	28,980	28,826	34,180	37,554	38,208	39,607	
16,988	19,867	20,426	23,881	22,724	25,603	20,476	24,371	22,945	23,075	23,381	23,121	23,303	
842	729	2,745	3,085	2,901	3,795	3,634	2,628	2,085	3,267	2,122	2,607	3,521	
508	673	1,097	1,242	2,031	2,175	2,137	2,463	1,954	1,575	1,409	1,493	1,998	
922	1,080	1,218	1,259	1,810	1,276	1,539	1,639	1,831	2,223	2,246	2,232	2,376	
42,536	49,743	57,483	65,332	65,022	70,166	61,456	66,669	62,700	69,199	72,948	75,139	77,138	
6,527	7,198	6,929	6,141	7,359	6,687	6,175	6,706	9,544	6,979	7,752	8,171	7,632	
2,553	3,052	3,279	3,406	5,090	3,527	5,022	5,064	4,483	5,790	6,378	5,674	4,999	
2,479	2,930	3,634	4,206	5,202	4,463	5,004	5,150	5,110	5,539	5,899	5,934	6,047	
\$ 54,095	\$ 62,923	\$ 71,325	\$ 79,085	\$ 82,673	\$ 84,843	\$ 77,657	\$ 83,589	\$ 81,837	\$ 87,507	\$ 92,977	\$ 94,918	\$ 95,816	

STATE STREET CORPORATION
Statement of Rates Earned and Paid
(Dollars in millions, rates on a taxable-equivalent basis)

Years Ended December 31,					Quarters Ended								
1999	2000	2001	2002	2003	2002	2003				2004			
					4th	1st	2nd	3rd	4th	1st	2nd	3rd	
					Assets:								
3.81 %	4.53 %	3.99 %	2.56 %	2.10 %	2.27 %	2.20 %	2.20 %	2.09 %	1.92 %	1.95 %	1.95 %	2.26 %	
5.02	6.26	4.04	1.76	1.25	1.57	1.38	1.33	1.09	1.12	1.11	1.06	1.45	
4.95	6.30	3.84	1.66	1.12	1.50	1.27	1.29	.99	1.02	.99	1.02	1.36	
3.68	4.99	4.61	2.95	2.37	2.72	2.58	2.31	2.12	2.51	2.29	1.89	2.43	
					Investment securities:								
5.51	6.26	5.30	3.35	2.04	2.62	2.35	2.04	1.88	1.97	2.17	2.21	2.37	
6.05	6.91	6.47	5.42	4.26	4.97	4.59	4.34	4.21	3.88	3.71	3.75	3.60	
5.89	6.54	5.31	3.93	2.87	3.59	3.44	3.11	2.69	2.43	2.39	2.19	2.42	
6.11	5.75	4.64	4.21	3.14	3.68	3.73	3.51	2.71	2.84	1.60	2.65	2.67	
5.01	5.74	4.45	2.78	2.16	2.41	2.39	2.22	2.04	2.01	1.95	2.00	2.23	
					Liabilities:								
					Interest-bearing deposits:								
4.06	5.51	3.71	1.61	1.10	1.47	1.27	1.19	.92	.96	.98	1.04	1.36	
2.90	3.49	2.49	1.31	1.04	1.16	1.19	1.22	.97	.82	.95	.86	1.13	
4.77	5.95	3.62	1.49	.90	1.32	1.07	1.05	.75	.74	.72	.72	1.13	
4.90	6.33	3.63	1.63	1.13	1.38	1.25	1.23	1.01	1.00	.99	1.00	1.46	
4.62	6.04	3.86	1.60	2.03	1.46	2.03	1.91	1.80	2.49	2.48	2.09	2.12	
7.63	7.62	7.64	5.68	4.31	5.18	4.45	4.24	4.57	3.99	3.76	4.45	4.30	
3.89	4.75	3.18	1.52	1.12	1.36	1.28	1.25	1.02	.95	1.00	.97	1.29	
					Total Interest-Bearing Liabilities								
1.11 %	.99 %	1.27 %	1.26 %	1.04 %	1.06 %	1.12 %	.97 %	1.02 %	1.05 %	.95 %	1.03 %	.94 %	
1.66 %	1.66 %	1.66 %	1.42 %	1.17 %	1.21 %	1.27 %	1.10 %	1.17 %	1.15 %	1.06 %	1.13 %	1.05 %	
					Excess of rate earned over rate paid								
					Net Interest Margin								
\$821	\$959	\$1,092	\$1,040	\$861	\$239	\$217	\$206	\$216	\$222	\$214	\$238	\$223	
					Net interest revenue-taxable equivalent								

Taxable equivalent adjustments are calculated using a federal income tax rate of 35%, adjusted for applicable state income taxes, net of related federal benefit.

STATE STREET CORPORATION
Average Balance Sheet Mix and Investment Securities Portfolio
(Dollars in Millions)

Years Ended December 31,					Average Balance Sheet Mix	Quarters Ended								
1999	2000	2001	2002	2003		2002	2003				2004			
						4th	1st	2nd	3rd	4th	1st	2nd	3rd	
79.0 %	83.3 %	83.5 %	86.1 %	82.3 %	Investments and money market assets	86.8 %	83.6 %	83.2 %	81.5 %	80.9 %	81.9 %	82.5 %	82.4 %	
12.5	8.6	8.5	6.5	6.7	Loans	6.0	6.2	6.0	7.8	6.9	6.0	6.4	5.7	
8.5	8.1	8.0	7.4	11.0	Noninterest-earning assets	7.2	10.2	10.8	10.7	12.2	12.1	11.1	11.9	
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
76.9 %	77.3 %	78.9 %	81.0 %	76.5 %	Customer funds with interest	81.2 %	77.2 %	77.8 %	74.4 %	76.5 %	76.0 %	76.8 %	78.0 %	
12.1	11.4	9.7	7.8	8.9	Customer funds without interest	7.9	8.0	8.0	11.6	8.0	8.3	8.6	8.0	
4.7	4.9	4.6	4.3	6.1	Other noninterest-bearing liabilities	4.1	6.4	6.1	5.5	6.6	6.9	6.0	5.2	
6.3	6.4	6.8	6.9	8.5	Debt, notes payable and stockholders' equity	6.8	8.4	8.1	8.5	8.9	8.8	8.6	8.8	
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	

Years Ended December 31,					Investment Securities Information	Quarters Ended								
1999	2000	2001	2002	2003		2002	2003				2004			
						4th	1st	2nd	3rd	4th	1st	2nd	3rd	
\$ 1,267	\$ 1,320	\$ 1,443	\$ 1,543	\$ 1,617	Held to maturity	\$ 1,543	\$ 1,538	\$ 1,585	\$ 1,547	\$ 1,617	\$ 1,624	\$ 1,624	\$ 1,647	
1,256	1,323	1,455	1,556	1,620	Book Value	1,556	1,547	1,592	1,551	1,620	1,629	1,612	1,640	
(11)	3	12	13	3	Fair Value	13	9	7	4	3	5	(12)	(7)	
					Appreciation (Depreciation)									
\$ 13,517	\$ 12,387	\$ 19,174	\$ 26,357	\$ 36,473	Available for sale	\$ 26,357	\$ 26,917	\$ 27,964	\$ 30,715	\$ 36,473	\$ 32,801	\$ 34,542	\$ 35,192	
13,436	12,420	19,338	26,528	36,598	Amortized Cost	26,528	27,062	28,119	30,817	36,598	32,981	34,387	35,171	
(81)	33	164	171	125	Fair Value (Book value)	171	145	155	102	125	180	(155)	(21)	
					Appreciation (Depreciation)									

STATE STREET CORPORATION
Assets Under Custody and Management
As of Period End
(Dollars in billions)

	1998	1999	2000	2001	2002 ^(a)	2003	Change 02-03	Compound Annual Growth-Rate 98-03	September 30, 2004
Assets Under Custody									
Legacy State Street:									
Customers in the U.S. :									
Mutual Funds	\$ 2,144	\$ 2,769	\$ 2,664	\$ 2,794	\$ 2,719	\$ 3,105	14 %	8 %	\$ 3,189
Pension, insurance and other investment pools	2,306	2,669	2,803	2,737	2,734	3,198	17	7	3,179
Customers outside the U.S.	362	514	651	672	718	988	38	22	1,130
Acquired GSS	-	-	-	-	-	2,079			1,502
Total Assets Under Custody	\$ 4,812	\$ 5,952	\$ 6,118	\$ 6,203	\$ 6,171	\$ 9,370	52	14	\$ 9,000
Assets Under Management									
Equities :									
Passive	\$ 237	\$ 366	\$ 365	\$ 398	\$ 361	\$ 522	45	17	\$ 530
Active	34	42	44	39	44	78	77	18	112
Employer securities	59	76	75	76	56	76	36	5	75
Fixed income	32	39	44	54	74	98	32	25	138
Money market	123	144	183	208	228	332	46	22	381
Total Assets Under Management	\$ 485	\$ 667	\$ 711	\$ 775	\$ 763	\$ 1,106	45	18	\$ 1,236

^(a) Assets under management information has been changed to conform with current presentation.