State Street at Goldman Sachs US Financial Services Conference

Ronald P. O'Hanley

President and Chief Operating Officer

Wednesday, December 5, 2018

STATE STREET

Preface and forward-looking statements

This presentation (and the discussion accompanying it) contains forward-looking statements as defined by United States securities laws. These statements are not guarantees of future performance, are inherently uncertain, are based on assumptions that are difficult to predict and have a number of risks and uncertainties. The forward-looking statements in this presentation and the accompanying discussion speak only as of December 5, 2018, and State Street does not undertake efforts to revise forward-looking statements. See “Forward-looking statements” in the Appendix for more information, including a description of certain factors that could affect future results and outcomes.

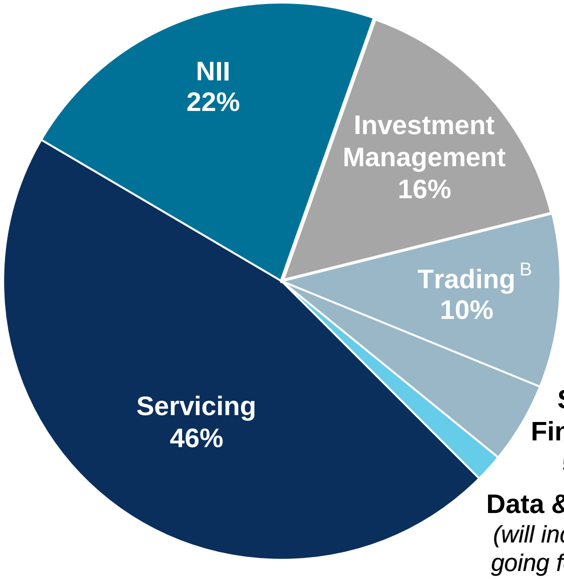
Certain financial information in this presentation is presented on both a GAAP and an adjusted (adjusted-GAAP) basis. Adjusted-GAAP basis presentations are non-GAAP presentations. Refer to the Appendix for explanations of our non-GAAP financial measures and reconciliations of our non-GAAP financial information.

Uniquely positioned in secularly attractive and high-growth markets

STATE STREET GLOBAL SERVICES.

- **2nd** largest global custody bank with **~$34T** AUCA
- Trusted with more than **10%** of world's assets
- Operates globally in more than **100** geographic markets
- Market leading Middle-Office provider with **~$13T AUA**[2]
- **#1** in ETF servicing

3Q18YTD Total Revenue Mix[3]



STATE STREET GLOBAL ADVISORS.

- **3rd** largest global asset manager with **$2.8T** AUM
- **3rd** largest ETF provider globally with AUM of **~$680B**

STATE STREET GLOBAL MARKETS.

- **#1** FX provider to asset managers
- Liquidity provider with **~$4.0T** in lendable assets[4]

STATE STREET GLOBAL EXCHANGE.

Charles River

*Proven business model with **13.8%** 3Q18YTD ROE and **28%** 3Q18YTD pre-tax margin*

[A] Data & other revenue will include Charles River Development (CRD) beginning October 1, 2018.
[B] Trading includes FX trading and Brokerage and other revenue.
Refer to the Appendix included with this presentation for endnotes 1 to 14, and endnote 1 for sources.

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Environment creates challenges and opportunities

Industry trends

- Technology innovation and rising scale economics
- Regulatory evolution and complexity
- Growing wealth in emerging markets
- Intensifying competition from traditional and non-traditional players
- Fee compression and rising costs

Client trends

- Shift from active to passive; Alpha remains elusive
- Rising costs driven by: complexity of distribution, regulatory burden and aging technology
- Increasing data usage
- Margin pressure and spending scrutiny

STATE STREET

Our vision

To be the leading asset servicer, asset manager and data insight provider to the owners and managers of the world's capital

Essential partner

- *Help solve growth, performance, efficiency, data and risk management issues*
- *Simplify client operations and technology stacks*
- *Bring our scale to the benefit of clients*

STT Desired outcome:

- *Higher share of wallet*
- *Enduring institutional relationships*

Leading platform with a broad revenue mix

- *Leverage core client base to grow market share and balance sheet driven revenue*
- *Modernize asset servicing and data analytics delivery*
- *Build data-enabled front-to-back platform*

STT Desired outcome:

- *More diverse revenue streams*
- *New platform revenues derived from 3rd parties*

Technology-driven scale provider

- *Automate key processes to reduce unit costs, error rates and cycle times*
- *Leverage global hubs both for labor arbitrage and for consolidated process ownership*

STT Desired outcome:

- *Generate structural cost saves enabling reinvestment*
- *Simplified and highly scalable operations*

High-performing organization

- *Flatten organization*
- *Increase speed of decision making and drive accountability*
- *Evolve skill base around technology automation and data priorities*

STT Desired outcome:

- *Results-oriented culture*
- *Streamlined, lower cost management structure*
- *Evolved talent base*

Relentless focus on execution driving improvements in:

Market and wallet share ***Operating efficiency*** ***Net income***

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Executing on our vision: Strategic priorities

Essential partner

Leading platform with a broad revenue mix

Technology-driven scale provider

High-performing organization

Delivering results through focused execution

1. Reignite servicing fee growth
2. Innovate to grow diversified revenue streams
3. Deploy the leading front-to-back office platform
4. Generate structural expense saves of 2–3% annually through further efficiency and digitization initiatives[A]
5. Foster a high-performing and leaner organization with increased accountability

[A] Structural expenses include compensation and employee benefits, occupancy, other expenses, and certain transaction processing expenses. It does not include reserves for repositioning or litigation-related activities or other similar-type expenses. Refer to endnote 5 included in the Appendix of this presentation for additional details.

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Actions to support our strategic priorities

Strategic Priorities	Near-term actions[A]	Medium-term actions and measures[B]
1 Reignite servicing fee growth	• Upgrade our client executives to better partner with our top clients • Strengthen pricing discipline	• **Gain AUCA and revenue market share:** – Increase revenue market share by 1–2% for priority client segments[C]
2 Innovate to grow diversified revenue streams	• Launch new products and enhancements in Global Markets • Continue deposit gathering	• **Grow Global Markets and Global Advisors** – Expand leadership in our FX business – Increase ETF AUM share from 15% and Cash AUM share from 5%[6]
3 Deploy the leading front-to-back office platform	• Leverage early demand and inquiries from shared clients to build out front-to-back office platform	• **Deliver on CRD synergies** – Pre-tax income synergies from revenue and cost savings of ~$75–85M and ~$55–65M, respectively[7] – Grow beyond synergies through additional front-to-back installations and new platform economics
4 Generate structural expense saves of 2–3% annually	• Structurally compress the senior management pyramid by ~15% • Increase pace of automation deployment	• **Ongoing structural and expense initiatives:** – Raise straight-through-processing (STP) rates from 89%[8] – Target application rationalization, creating efficiencies across 10% of application portfolio
5 Foster a high performing and leaner organization	• Drive accountability and responsibility throughout the organization	• **Redefine talent model:** – Institute single global process owners – Focus recruitment process and foster continuous learning

[A] Near-term actions defined as objectives to be achieved by year-end 2019.
[B] Medium-term actions defined as objectives to be achieved by year-end 2021.
[C] Priority client segments include global asset managers; large, sophisticated asset owners; global insurance firms; and regional asset managers.
Refer to the Appendix included with this presentation for endnotes 1 to 14.

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Reignite servicing fee growth: Our client base

Well positioned market leader with more room to grow

Segments[A]	Subsegments	Market Share (~%)[B]	Actions
Global Giants	Global asset managers	35%	• Strengthen client coverage model; dedicated client executives aligned around key metrics • Innovate and improve service quality to expand share of wallet • Leverage CRD and platform to bring scale and capabilities
	Large, sophisticated asset owners	15%	
	Global insurance firms	25%	
Established Investors	Regional asset managers	30%	
	Regional / Public retirement systems	30%	• Standardize offering, reduce cost-to-serve through technology-enabled services • Extend and apply productivity and innovation from Global Giants
	Corporate pension funds	40%	
	Regional insurance firms	10%	
Focused Alternative Investors	Hedge funds	25%	• Leverage broader capabilities to bring scale and lower cost to serve • Continue to innovate to move more of segment to outsourced model
	Private equity / Real estate	15%	
Emerging Institutions	Wealth management firms (e.g., RIAs, IFAs, brokers)	<5%	• Use CRD position to enter and grow in attractive new wealth segment
	Boutique asset managers	5%	
	Rising institutional investors in developing economies	<5%	

[A] Segments above are not comprehensive and do not represent State Street's entire client base.
[B] Client segment revenue market shares are indicative, and for illustrative purposes only based on State Street estimates. Refer to endnote 9 included in the Appendix of this presentation for additional details.

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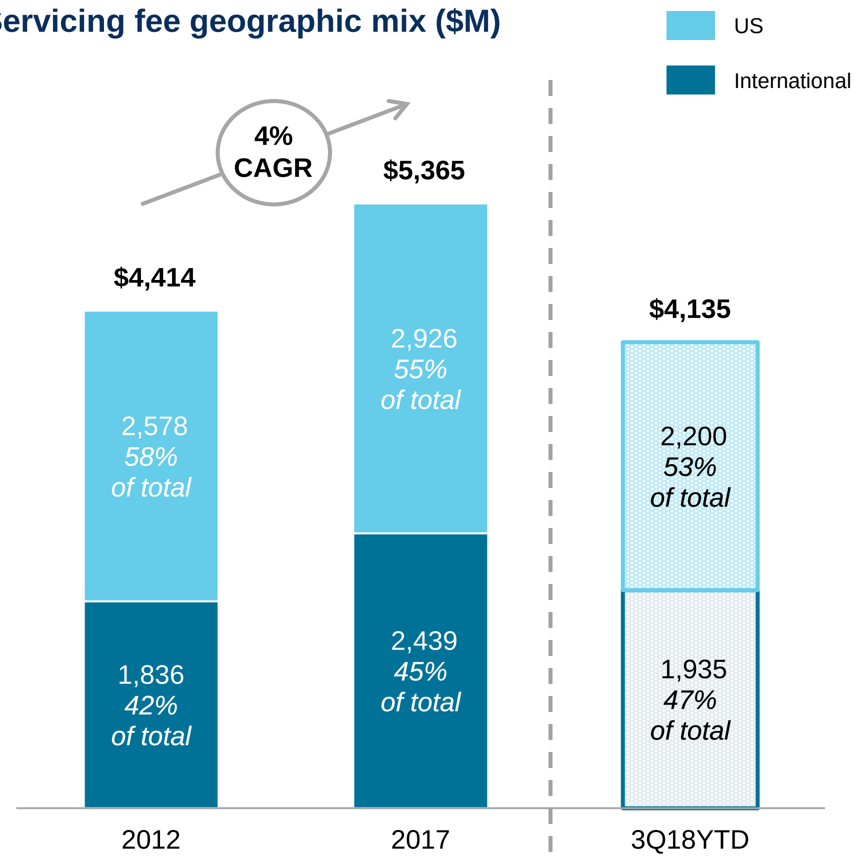
Reignite servicing fee growth: International expansion opportunities

Targeting high-growth geographies

Servicing fee geographic mix ($M)



International market opportunities

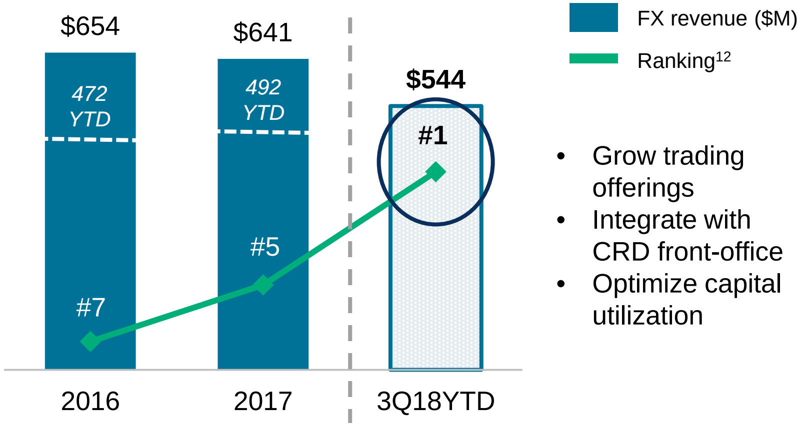
Major asset managers and asset owners continue to grow globally:

- **Expand servicing position in fast-growing international segments**
  - #1 market share in servicing offshore market funds[10]
  - #1 market share in servicing global ETFs[11]
- **Address local opportunities in select high-growth international markets**
  - Leverage leading position in offshore fund markets
  - Further develop products for Japanese market
  - Build alternatives and insurance capabilities in Europe
  - Extend position in China

Refer to the Appendix included with this presentation for endnotes 1 to 14.

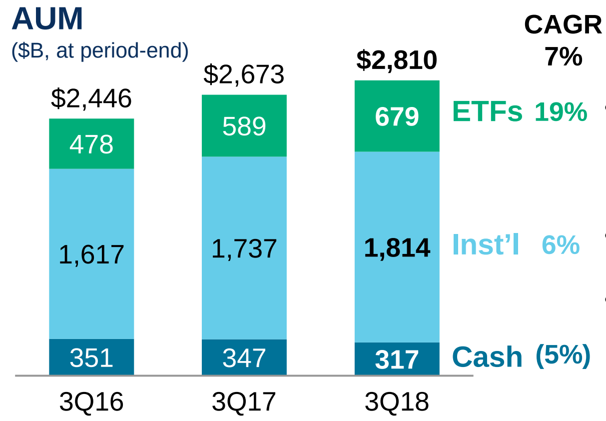
Grow diversified revenue streams through product innovations and deepened client relationship management

FX Trading: Global Real Money Leadership[12]



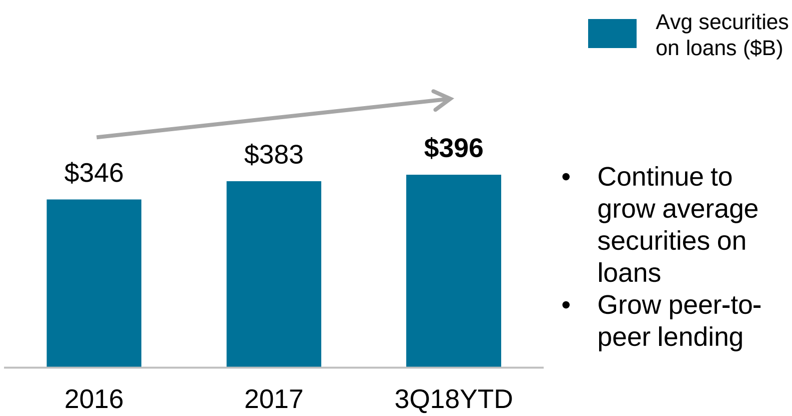
- Grow trading offerings
- Integrate with CRD front-office
- Optimize capital utilization

Global Advisors: Drive organic AUM growth



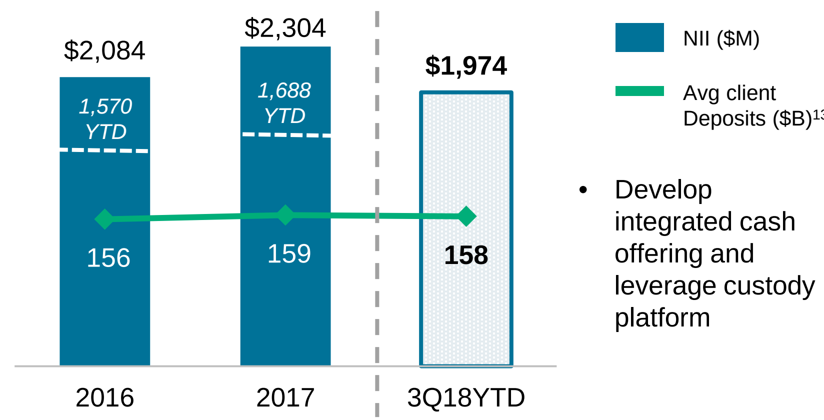
- Drive ETF growth, particularly low-cost and EMEA
- Leverage ESG strengths
- Capitalize on broader STT client base

Securities Finance



- Continue to grow average securities on loans
- Grow peer-to-peer lending

Continued NII momentum through deposit growth



- Develop integrated cash offering and leverage custody platform

Refer to the Appendix included with this presentation for endnotes 1 to 14.

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Deploy the leading front-to-back office platform

CRD accelerates State Street Front-to-Back Platform

Charles River offerings

Front office

- *Portfolio modeling & construction*
- *Investment risk & compliance*
- *Trade management & execution*
- *Portfolio, trade & risk analytics*
- FX trading & securities finance

Middle office

- *Performance & attribution*
- *Investment accounting (IBOR)*
- Investment risk monitoring
- Client reporting
- Post-trade workflow management
- Cash management

Back-office

- Custody
- Fund accounting
- Fund administration

Interoperability/third-party partners

Data management

CRD provides leverage for traditional services and entry to a new front office revenue pool

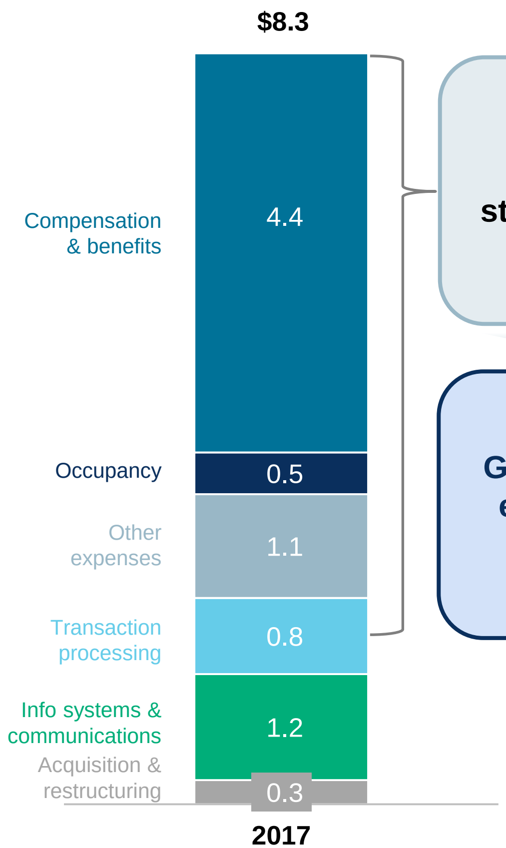
- Client base includes more than 300 of the world's largest institutional investment managers, asset owners, alternative investment managers, and wealth managers
- Strong engagement with new inquiries for front, middle and back office services with ~80 institutions since closing
- Platform / network effect should drive further revenue opportunities

Generate structural expense saves of 2-3% annually; foster a high performing organization

Strategic Priorities

Generate structural expense saves annually[A]

Expenses ($B)



~$6.5B in structural expenses

Generate structural expense saves of 2-3% annually

Further digitization efforts transforming operations

- Maximize global hubs to drive efficiencies
- Raise straight-through processing rates across major transaction processing areas[8]
- Expand use of robotics, cognitive and machine learning across core operations
- Target application rationalization, creating efficiencies across our application portfolio

Foster a high performing and leaner organization

- Structurally compress the senior management pyramid by ~15%
- Improve spans, and reduce layers by 25%, creating a more agile organization
- Increase talent development and mobility

[A] Structural expenses include compensation and employee benefits, occupancy, other expenses, and certain transaction processing expenses. It does not include reserves for repositioning or litigation-related activities or other similar-type expenses. Refer to endnote 5 included in the Appendix of this presentation for additional details.

Refer to the Appendix included with this presentation for endnotes 1 to 14.

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Financial targets[A]

Our strategic priorities will deliver growth, drive innovation and enhance shareholder value

Revenue growth	***4–5% with CRD***
Pre-tax margin	***Further improve by an additional 2%pts***
EPS growth	***10–15%***
ROE	***12–15%***
Capital return	***Targeting total payout greater than or equal to 80%***[B]

[A] Financial targets to be met within a three-year time horizon ending 2021. Financial targets do not reflect items outside of the normal course of business. Revenue and EPS growth targets stated on a YoY basis. Pre-tax margin stated relative to 2018.
[B] Payouts calculated over CCAR cycles. CCAR cycles run from mid-year to mid-year. Refer to endnote 14 included in the Appendix of this presentation for additional details.

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State Street at Goldman Sachs US Financial Services Conference

Ronald P. O'Hanley, President and Chief Operating Officer

Eric W. Aboaf, Chief Financial Officer

Wednesday, December 5, 2018

Questions and Answers

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Appendix

Slide endnotes

1 Sources:

  a. “Trusted with more than 10% of world’s assets”: State Street and McKinsey Global Institute, Global Capital Markets, December 31, 2016. This represents State Street’s AUCA ($29T) as a proportion of total global financial assets ($270T). *Updated in January 2018 per bespoke McKinsey report.

  b. “#1 in ETF servicing”: Compiled based on industry data sourced from ETFGI as of September 2018 and State Street data and analysis. State Street ETF AUCA and industry data were used in the calculation of market share size.

  c. “3rd largest global asset manager”: P&I Research Center, as of 12/31/2017

  d. “3rd largest ETF provider globally”: P&I Research Center, as of 12/31/2017

  e. “#1 FX provider to asset managers”: 2018 Euromoney (Real Money) FX Survey

2 Period end as of September 30, 2018. ~$34T of AUCA includes most of the Middle Office AUA.

3 Chart based on 3Q18 YTD total revenue line items for the nine months ended September 30, 2018.

4 As of September 30, 2018.

5 2017 structural expenses include total operating expenses of $8.3B less approximately $0.3B (out of a total of $0.8B) Transaction processing services, $1.2B Information systems and communication and $0.3B Acquisition and restructuring costs.

6 ETF AUM share of 15% as of 3Q18 data sourced from Bloomberg; Cash AUM share of 5% for Cash Global Money Market Funds (institutional only) as of 3Q18 data sourced from iMoney.

7 Revenue synergies mainly represent opportunities to enhance the distribution of State Street products and capabilities to Charles River Development clients, cross sell Charles River Development into State Street client base, expand share of wallet across our combined client base, bundle services to clients seeking an integrated experience and expand combined and integrated capabilities into new client segments; Expense synergies are net of expenses and cost to achieve, excluding restructuring charges, on a pre-tax basis.

8 STP rate of 89% is a blended average for volumes processed for Custody / Accounting Services in our Transactions and Derivatives Centers of Excellence.

9 Indicative, and for illustrative purposes only. Market share percentages were compiled based on multiple industry data sources and State Street internal data and analysis, which inherently include assumptions, estimations and some omissions. Client segmentation is non-exhaustive and purely directional in nature.

10 Offshore market industry data includes Luxembourg and Ireland domiciled funds only; Industry data sourced from Monterey Insight Ireland June 2017 and Luxembourg December 2017; STT estimated AUA market position based on internal company analysis using weighted average of market position in Luxembourg and Ireland.

11 Compiled based on industry data sourced from ETFGI as of September 2018 and State Street data and analysis.

12 Source: 2017 and 2018 Euromoney (Real Money) FX Survey

13 Average client deposits in FY2016, FY2017 and 3Q18YTD are included within total deposits of $170B, $164B and $162B, respectively. The remainder are wholesale deposits of $14B, $5B and $4B, respectively.

14 Subject to regulatory approval, including on the basis of annual CCAR process conducted by the Board of Governors of the Federal Reserve System. CCAR cycles run from mid-year to mid-year.

Forward-looking statements

This presentation (and the discussion accompanying it) contains forward-looking statements within the meaning of United States securities laws, including statements about our goals and expectations regarding our business, financial and capital condition, results of operations, strategies, the financial and market outlook, dividend and stock purchase programs, governmental and regulatory initiatives and developments, and the business environment. Forward-looking statements are often, but not always, identified by such forward-looking terminology as “vision,” “plan,” “strategy,” "priority," “will,” “objective,” “opportunity,” “trend,” “project,” “proposition,” “outlook,” “expect,” “intend,” “forecast,” “believe,” “anticipate,” “estimate,” “seek,” “may,” “target” and “goal,” or similar statements or variations of such terms. These statements are not guarantees of future performance, are inherently uncertain, are based on current assumptions that are difficult to predict and involve a number of risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed in those statements, and those statements should not be relied upon as representing our expectations or beliefs as of any date subsequent to December 5, 2018.

Important factors that may affect future results and outcomes include, but are not limited to: the financial strength of the counterparties with which we or our clients do business and to which we have investment, credit or financial exposures or to which our clients have such exposures as a result of our acting as agent, including as an asset manager; increases in the volatility of, or declines in the level of, our NII, changes in the composition or valuation of the assets recorded in our consolidated statement of condition (and our ability to measure the fair value of investment securities) and changes in the manner in which we fund those assets; the volatility of servicing fee, management fee, trading fee and securities finance revenues on a quarterly basis in certain of our business lines due to, among other factors, market rates and levels, the volume of client transaction activity and the timing of revenue recognition with respect to processing fees and other revenues; the liquidity of the U.S. and international securities markets, particularly the markets for fixed-income securities and interbank credits; the liquidity of the assets on our balance sheet and changes or volatility in the sources of such funding, particularly the deposits of our clients; and demands upon our liquidity, including the liquidity demands and requirements of our clients; the level and volatility of interest rates, the valuation of the U.S. dollar relative to other currencies in which we record revenue or accrue expenses and the performance and volatility of securities, credit, currency and other markets in the U.S. and internationally; and the impact of monetary and fiscal policy in the U.S. and internationally on prevailing rates of interest and currency exchange rates in the markets in which we provide services to our clients; the credit quality, credit-agency ratings and fair values of the securities in our investment securities portfolio, a deterioration or downgrade of which could lead to other-than-temporary impairment of such securities and the recognition of an impairment loss in our consolidated statement of income; our ability to attract deposits and other low-cost, short-term funding; our ability to manage the level and pricing of such deposits and the relative portion of our deposits that are determined to be operational under regulatory guidelines; and our ability to deploy deposits in a profitable manner consistent with our liquidity needs, regulatory requirements and risk profile; the manner and timing with which the Federal Reserve and other U.S. and foreign regulators implement or reevaluate the regulatory framework applicable to our operations (as well as changes to that framework), including implementation or modification of the Dodd-Frank Act and related stress testing and resolution planning requirements, implementation of international standards applicable to financial institutions, such as those proposed by the Basel Committee and European legislation (such as the AIFMD, UCITS, the Money Market Funds Regulation and MiFID II / MiFIR); among other consequences, these regulatory changes impact the levels of regulatory capital and liquidity we must maintain, acceptable levels of credit exposure to third parties, margin requirements applicable to derivatives, restrictions on banking and financial activities and the manner in which we structure and implement our global operations and servicing relationships. In addition, our regulatory posture and related expenses have been and will continue to be affected by changes in regulatory expectations for global systemically important financial institutions applicable to, among other things, risk management, liquidity and capital planning, resolution planning, compliance programs and changes in governmental enforcement approaches to perceived failures to comply with regulatory or legal obligations; adverse changes in the regulatory ratios that we are, or will be, required to meet, whether arising under the Dodd-Frank Act or implementation of international standards applicable to financial institutions, such as those proposed by the Basel Committee, or due to changes in regulatory positions, practices or regulations in jurisdictions in which we engage in banking activities, including changes in internal or external data, formulae, models, assumptions or other advanced systems used in the calculation of our capital or liquidity ratios that cause changes in those ratios as they are measured from period to period; • requirements to obtain the prior approval or non-objection of the Federal Reserve or other U.S. and non-U.S. regulators for the use, allocation or distribution of our capital or other specific capital actions or corporate activities, including, without limitation, acquisitions, investments in subsidiaries, dividends and stock purchases, without which our growth plans, distributions to shareholders, share repurchase programs or other capital or corporate initiatives may be restricted; changes in law or regulation, or the enforcement of law or regulation, that may adversely affect our business activities or those of our clients or our counterparties, and the products or services that we sell, including additional or increased taxes or assessments thereon, capital adequacy requirements, margin requirements and changes that expose us to risks related to the adequacy of our controls or compliance programs; economic or financial market disruptions in the U.S. or internationally, including those which may result from recessions or political instability; for example, the U.K.'s decision to exit from the European Union may continue to disrupt financial markets or economic growth in Europe or potential changes in trade policy and bi-lateral and multi-lateral trade agreements proposed by the U.S.; our ability to create cost efficiencies through changes in our operational processes and to further digitize our processes and interfaces with our clients, any failure of which, in whole or in part, may among other things, reduce our competitive position, diminish the cost-effectiveness of our systems and processes or provide an insufficient return on our associated investment; our ability to promote a strong culture of risk management, operating controls, compliance oversight, ethical behavior and governance that meets our expectations and those of our clients and our regulators, and the financial, regulatory, reputation and other consequences of our failure to meet such expectations; the impact on our compliance and controls enhancement programs associated with the appointment of a monitor under the deferred prosecution agreement with the DOJ and compliance consultant appointed under a settlement with the SEC, including the potential for such monitor and compliance consultant to require changes to our programs or to identify other issues that require substantial expenditures, changes in our operations, payments to clients or reporting to U.S. authorities; the results of our review of our billing practices, including additional findings or amounts we may be required to reimburse clients, as well as potential consequences of such review, including damage to our client relationships or our reputation and adverse actions by governmental authorities; the results of, and costs associated with, governmental or regulatory inquiries and investigations, litigation and similar claims, disputes, or civil or criminal proceedings; changes or potential changes in the amount of compensation we receive from clients for our services, and the mix of services provided by us that clients choose; the large institutional clients on which we focus are often able to exert considerable market influence and have diverse investment activities, and this, combined with strong competitive market forces, subjects us to significant pressure to reduce the fees we charge, to potentially significant changes in our AUCA or our AUM in the event of the acquisition or loss of a client, in whole or in part, and to potentially significant changes in our fee revenue in the event a client re-balances or changes its investment approach or otherwise re-directs assets to lower- or higher-fee asset classes; the potential for losses arising from our investments in sponsored investment funds; the possibility that our clients will incur substantial losses in investment pools for which we act as agent, the possibility of significant reductions in the liquidity or valuation of assets underlying those pools and the potential that clients will seek to hold us liable for such losses; and the possibility that our clients or regulators will assert claims that our fees with respect to such investment products are not appropriate or consistent with our fiduciary responsibilities; our ability to anticipate and manage the level and timing of redemptions and withdrawals from our collateral pools and other collective investment products; the credit agency ratings of our debt and depositary obligations and investor and client perceptions of our financial strength; adverse publicity, whether specific to us or regarding other industry participants or industry-wide factors, or other reputational harm; our ability to control operational risks, data security breach risks and outsourcing risks, our ability to protect our intellectual property rights, the possibility of errors in the quantitative models we use to manage our business and the possibility that our controls will prove insufficient, fail or be circumvented; our ability to expand our use of technology to enhance the efficiency, accuracy and reliability of our operations and our dependencies on information technology and our ability to control related risks, including cyber-crime and other threats to our information technology infrastructure and systems (including those of our third-party service providers) and their effective operation both independently and with external systems, and complexities and costs of protecting the security of such systems and data; changes or potential changes to the competitive environment, including changes due to regulatory and technological changes, the effects of industry consolidation and perceptions of State Street as a suitable service provider or counterparty; 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 in this section and elsewhere in this Form 10-Q or disclosed in our other SEC filings. Forward-looking statements in this Form 10-Q should not be relied on as representing our expectations or assumptions as of any time subsequent to the time this Form 10-Q is filed with the SEC. We undertake no obligation to revise our forward-looking statements after the time they are made. The factors discussed herein are not intended to be a complete statement of our ability to complete acquisitions, joint ventures and divestitures, including our ability to obtain regulatory approvals, the ability to arrange financing as required and the ability to satisfy closing conditions; the risks that our acquired businesses, including our acquisition of Charles River Systems, Inc. (Charles River Development), and joint ventures will not achieve their anticipated financial, operational and product innovation benefits or will not be integrated successfully, or that the integration will take longer than anticipated; that expected synergies will not be achieved or unexpected negative synergies or liabilities will be experienced; that client and deposit retention goals will not be met; that other regulatory or operational challenges will be experienced; and that disruptions from the transaction will harm our relationships with our clients, our employees or regulators; our ability to integrate Charles River Development's front office software solutions with our middle and back office capabilities to develop a front-to-middle-to-back office platform that is competitive and meets our clients' requirements; our ability to recognize evolving needs of our clients and to develop products that are responsive to such trends and profitable to us; the performance of and demand for the products and services we offer; and the potential for new products and services to impose additional costs on us and expose us to increased operational risk; our ability to grow revenue, manage expenses, attract and retain highly skilled people and raise the capital necessary to achieve our business goals and comply with regulatory requirements and expectations; changes in accounting standards and practices; and the impact of the U.S. tax legislation enacted in 2017, and changes in tax legislation and in the interpretation of existing tax laws by U.S. and non-U.S. tax authorities that affect the amount of taxes due.

Other important factors that could cause actual results to differ materially from those indicated by any forward-looking statements are set forth in our 2017 Annual Report on Form 10-K and our subsequent SEC filings. We encourage investors to read these filings, particularly the sections on risk factors, for additional information with respect to any forward-looking statements and prior to making any investment decision. The forward-looking statements contained in this presentation should not by relied on as representing our expectations or beliefs as of any time subsequent to the time this presentation is first issued, and we do not undertake efforts to revise those forward-looking statements to reflect events after that time.

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Non-GAAP Measures

In addition to presenting State Street's financial results in conformity with U.S. generally accepted accounting principles, or GAAP, management also presents certain financial information on a non-GAAP basis. In general, our non-GAAP financial results adjust selected GAAP-basis financial results to exclude the impact of revenue and expenses outside of State Street’s normal course of business or other notable items, such as acquisition and restructuring charges, repositioning costs and gains/losses on sales. Management believes that this presentation of financial information facilitates an investor's further understanding and analysis of State Street's financial performance and trends with respect to State Street’s business operations from period to period, including providing additional insight into our underlying margin and profitability, in addition to financial information prepared and reported in conformity with GAAP. Management may also provide additional non-GAAP measures. For example, we present capital ratios, calculated under regulatory standards scheduled to be effective in the future or other standards, that management uses in evaluating State Street’s business and activities and believes may similarly be useful to investors. Additionally, we may present revenue and expense measures on a constant currency basis to identify the significance of changes in foreign currency exchange rates (which often are variable) in period-to-period comparisons. This presentation represents the effects of applying prior period weighted average foreign currency exchange rates to current period results.

Prior to 1Q18, management presented results on an operating-basis to both: (1) exclude the impact of revenue and expenses outside of State Street’s normal course of business, such as restructuring charges; and (2) present revenue from non-taxable sources, such as interest income from tax-exempt investment securities and processing fees and other revenue associated with tax-advantaged investments, on a fully-taxable equivalent basis. Beginning in 1Q18 State Street presents results only on a GAAP basis, along with certain non-GAAP measures that management believes may be useful to investors. As management has previously communicated the expected impact of State Street Beacon on pre-tax margin based on historical operating-basis results, pre-tax margin has been provided on that historical operating-basis to allow investors to assess performance with respect to State Street Beacon on a consistent basis.

Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in conformity with GAAP.

Definitions

AUCA	Assets under custody and administration
AUM	Assets under management
Bps	Basis points, with one basis point representing one hundredth of one percent
CCAR	Comprehensive Capital Analysis and Review
CRD	Charles River Development
Diluted earnings per share (EPS)	Net income available to common shareholders divided by diluted average common shares outstanding for the noted period
ETF	Exchange-traded fund
Fee operating leverage	Rate of growth of total fee revenue less the rate of growth of expenses, relative to the successive prior year period, as applicable
FX	Foreign exchange
FY	Full year
GAAP	Generally accepted accounting principles in the United States
Medium-term targets	Financial targets defined as targets to be met by year-end 2021
Net interest income (NII)	Income earned on interest bearing assets less interest paid on interest bearing liabilities. Net interest income was disclosed as net interest revenue prior to 1Q17
Net interest margin (NIM)	Net interest income divided by average interest-earning assets
nm	Not meaningful
Operating leverage	Rate of growth of total revenue less the rate of growth of total expenses, relative to the successive prior year period, as applicable
Payout ratio	Total payout ratio is equal to common stock dividends and common stock purchases as a percentage of net income available to common shareholders
Pre-tax operating margin	Income before income tax expense divided by total revenue
%Pts	Percentage points is the difference from one percentage value subtracted from another
Quarter-over-quarter (QoQ)	Sequential quarter comparison
Return on equity (ROE)	Net income less dividends on preferred stock divided by average common equity
Year-over-year (YoY)	Current period compared to the same period a year ago
Year-to-date (YTD)	The cumulative amount of time within a fiscal year up to the end of the quarter indicated (i.e., 3Q18YTD is equivalent to the nine months ended September 30, 2018)

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