Investors Financial Services Corp.
Investors Bank & Trust Company

Corporate Governance Guidelines

The Board of Directors (the "Board") of Investors Financial Services Corp.("IFSC") and Investors Bank & Trust Company (the "Bank" and, together with IFSC, the "Company") have promulgated these Corporate Governance Guidelines in accordance with the guidelines set forth in the rules adopted by the Securities and Exchange Commission and the Nasdaq National Market. The Board recognizes that the Company's shareholders and employees expect the Board to meet the highest standards of integrity, ethical practices and accountability by operating in accordance with these Corporate Governance Guidelines.

The Board presently has 7 members. It is the sense of the Board that a size of 7 to 9 is about right. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate.

Director qualification standards

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. Nominees for directorship will be selected by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

a. Independence. A majority of the members of the Board must meet the independence requirements promulgated by the Securities and Exchange Commission, the National Association of Securities Dealers, any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company (each a "Regulatory Body"). Without limitation, the following independence guidelines shall apply.

1. No Material Relationships. No Director shall qualify as independent unless the Board affirmatively determines that the Director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. In assessing the materiality of a Director's relationship with the Company, the Board shall consider the relationship not only from the standpoint of the Director but also from that of persons or organizations with which the Director has an affiliation. Material relationships may include, but are not limited to, commercial, industrial, consulting, legal, accounting, charitable and familial relationships.

2. Former Employees. No Director who is a former employee of the Company shall be considered independent until three (3) years after the date on which the employment has ended; provided, however, that a Director who serves as an interim Chairman or Chief Executive Officer may be excluded from the definition of "former employee" and thus be deemed independent immediately after the service as interim Chairman or Chief Executive Officer ends.

3. Auditor Affiliations. No Director who is, or in the past three (3) years has been, affiliated with or employed by a present or former independent auditor of the Company (or of an affiliate) shall be considered independent until three (3) years after the end of either the affiliation or the auditing relationship.

4. Interlocking Directorates. No Director who is, or in the past three (3) years has been, part of an interlocking Directorate in which an executive officer of the Company serves on the compensation committee of another company that concurrently employs the Director shall be considered independent until three (3) years after the relationship ends.

5. Immediate Family Members. Directors with immediate family members in categories (1) through (4) above also shall not be considered independent until three (3) years after the end of the relationship held by the immediate family member; provided, however, that employment of a family member in a non-officer position does not preclude the Board from determining that a Director is independent. Notwithstanding the previous sentence, a Director shall not meet the independence requirements for service on the Company's Audit Committee if an immediate family member is, or has been with the past three (3) years, in a relationship described in categories (1) through (4) above. In addition, if an executive officer dies or becomes incapacitated, his or her immediate family members may be classified as independent immediately after such death or determination of incapacity, provided that they themselves are otherwise independent. An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home.

6. Stock Ownership. Ownership of even a significant amount of stock, by itself, is not a bar to a finding of independence.

7. Disclosure of Independence Determinations. Annually, the Board must make an affirmative determination as to the independence of its members. The Company must disclose in its annual proxy statement the basis for a determination that a Director is independent. The Board may adopt and disclose categorical standards, such as those set forth above, to assist it in making determinations of independence and may make a general disclosure if a Director meets these standards. The basis for any determination of independence for a Director who does not meet these standards must be specifically explained. If the Board has adopted categorical standards and disclosed them, it may then make the general statement that the independent Directors meet the standards set by the Board without detailing the particular aspects of the immaterial relationships between individual Directors and the Company.

b. Other Board Memberships. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board. There should be an opportunity for the Board through the Nominating and Corporate Governance Committee to review the Director's availability to fulfill his or her responsibilities as a Director if he or she serves on more than three other public company boards.

c. Tenure and Retirement. The Board does not believe it should establish term limits or a mandatory retirement age. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. Similarly, the Board does not believe that age alone is dispositive in determining fitness as a Director. As an alternative to term limits or a mandatory retirement age, the Nominating and Corporate Governance Committee will review each Director's continuation on the Board every three years, evaluating all relevant qualification factors, including age and length of service. This will allow each Director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

d. Stock Ownership. Massachusetts law requires that each Director own at least 100 shares of Company stock at the time they are elected to the Board. In addition, the Board believes that it is important that Directors develop and maintain a meaningful ownership of Company stock. However, the Board does not believe that any set amount above the Massachusetts requirement is necessary for election to the Board. Instead, the Board expects Directors, over their first three-year term, to develop stock ownership in an amount at least equal to that Director's annual cash compensation for service on the Board. This ownership may be achieved through open market purchases or through the exercise of options.

e. Succession. The Nominating and Corporate Governance Committee shall plan for continuity on the Board and any committees thereof as existing members retire or relinquish their positions and shall evaluate potential Director candidates for consideration in the event of a vacancy on the Board.

Director responsibilities

The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, Directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The Directors shall also be entitled to have the Company purchase reasonable Directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's charter, by-laws and any indemnification agreements, and to exculpation as provided by state law and the Company's charter.

a. Attendance at Board Meetings. Directors are expected to attend board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their duties.

b. Advance Review of Meeting Materials. Information and data that is important to the understanding of the Board or any committee thereof should be distributed in advance of the Board or committee meeting, unless doing so would compromise the confidentiality of sensitive information. Board and committee members should review those distributed materials in advance of the meeting.

c. Chairman of the Board. The Board has no policy with respect to the separation of the offices of Chairman and Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new chief executive officer.

d. Agenda for Meetings. The Chairman and the Secretary will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

e. Communication with External Constituencies. The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various external constituencies that are involved with the Company. However, it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

Director Access to Management and Independent Advisors

Directors have full and free access to officers and employees of the Company. Directors may ask members of management, employees or others, including other Directors, whose advice and counsel are relevant to the issues then being considered, to attend any meetings and to provide such pertinent information as the Board or any committee may request. Board and committee members will use judgment to ensure that contact with management and employees is not distracting to the business operations of the Company. The Board and any committee thereof has complete access to independent advisors, including but not limited to legal counsel and accountants, should it in its discretion determine that a consultation with such independent advisors is necessary and appropriate.

The Board welcomes regular attendance at each Board meeting of the appropriate representatives of senior management of the Company as shall be determined from time to time, subject to the Board's right in all instances to meet in executive session or with a more limited number of management representatives.

Director Orientation and Continuing Education

All new Directors must participate in an orientation program, which should be conducted within two months of the annual meeting at which new Directors are elected. This orientation will include presentations by senior management to familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other Directors are also invited to attend the orientation.

In addition, the Company shall provide continuing education seminars for all Directors outside of regularly scheduled Board meetings. During these seminars, outside experts will address issues of importance to the Board, and Company officials will be present to address application of those issues to the business of the Company. The Board may, in its discretion, request specific topics or additional seminars.

Annual Performance Evaluation of the Board

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. This assessment will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

Meetings of Non-Management Directors

The non-management Directors of the Company shall meet at regularly scheduled executive sessions outside of the presence of management and the management Directors. Non-management Directors include all those who are not Company officers, and include Directors who are not independent because of a material relationship, former status or family members, or for any other reason. If a Director is selected to preside at these executive sessions, the name of that Director shall be disclosed in the Company's annual proxy statement. Alternatively, the Company may disclose the procedures by which a presiding Director is selected for each executive session. The Board shall determine a method for interested parties to communicate directly with the independent directors and shall disclose that method in its proxy statement.

Management Evaluation and Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term. The Nominating and Corporate Governance Committee will make an annual report to the Board on succession planning. The full Board will work with the Nominating and Corporate Governance Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent Directors under the criteria set forth under Director Qualification Standards above. Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as certain specific qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

Certain committees may meet simultaneously as committees of IFSC and of the Bank, though they should hold separate sessions if necessary to address issues that are relevant to one entity but not the other or to consider transactions between the two entities or other matters where IFSC and the Bank may have different interests. In addition, any such committee should consult with internal or outside counsel if, in the opinion of the committee, any matter under consideration by the committee has the potential for any conflict between the interests of IFSC and those of the Bank or IFSC's other subsidiaries in order to ensure that appropriate procedures are established for addressing any such potential conflict and for ensuring compliance with the Company's policies regarding Sections 23A and 23B of the Federal Reserve Act.

The Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Director Compensation

The Compensation Committee in accordance with the policies and principles set forth in its charter will determine the form and amount of Director compensation, and the Compensation Committee will conduct an annual review of Director compensation. The Compensation Committee will consider that Directors' independence may be jeopardized if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.