State Street’s strong commitment to social and environmental responsibility and our belief in giving back to the communities in which we live and work are critical to our long-term success. We recognize that sustainable growth comes from operating with absolute integrity and in a way that respects our shareholders, customers, employees, communities and the environment. We are committed to the principles of sound governance and to helping our customers succeed. We are dedicated to ensuring a global and inclusive workplace where employees feel engaged and valued. We believe we have a responsibility to enrich our communities, and to be a leader in environmental sustainability, both in the way we carry out our operations and in the products and services we offer.
Raising the Bar. As the world continues to evolve, so does State Street’s commitment to setting higher standards in corporate social responsibility. It starts first with transparency. To ensure customer success, we provide the most comprehensive information about our business activities and operations. This promise to operate with the utmost integrity also extends to the world outside our door, where we continually strive to reduce our impact.
on climate change and the environment at large. With our dedicated global workforce and a diversity of ideas and perspectives, we are confident in our ability to build a better tomorrow and, in turn, strengthen communities and create opportunities around the world.
Letter from the Chairman

Extraordinary events, like those we experienced across the financial industry in 2008, are a true test of strength and perseverance. Despite the enormous challenges, State Street remained focused on serving our core constituencies — shareholders, employees, customers and the communities in which we live and work around the world. It is this commitment that drives every decision we make and every goal we aim to meet.

One of these goals is to consistently create value for our constituencies and to promote sustainability across all of our business operations. Even in the face of unprecedented market turmoil, State Street has not lost sight of that goal. We continue to make a meaningful impact in significant ways.

Creating a more eco-friendly workplace is one such accomplishment. Early in 2008, we formed an executive-level Environmental Sustainability Committee to ensure that State Street adheres to best practices in our environmentally related business activities. To help us do that, we established an Office of Environmental Sustainability.

We also developed another executive-level committee to strengthen the company’s emphasis on flexible work arrangements, further underscoring our commitment to provide employees with flexibility in their work schedules. As a result, we created an Office of Flexibility with a goal to encourage one-third of our workforce to participate in some type of alternative work arrangement by 2011.

Despite a downturn in global financial markets, our philanthropic and volunteer efforts increased in 2008, with the State Street Foundation investing $18.8 million in charitable organizations and employees donating more than 60,000 hours of their time — a 13 percent increase over the previous year.
We also achieved record results in 2008 in terms of revenue and earnings per share growth. These achievements, however, could not shield us from the effects of market events.

As markets deteriorated, the unrealized mark-to-market losses in our investment portfolio and in the asset-backed commercial paper conduits we administer increased, primarily due to continuing illiquidity in the market. We have been very transparent about our investment portfolio and the conduit program, and continue to believe the assets remain strong.

During 2008, the US Treasury recognized State Street’s role in sustaining the health and stability of the industry, selecting us as one of nine lead institutions to participate in its Capital Purchase Program (CPP). Following our commitment to participate, we set a goal with our Asset and Liability Committee to immediately deploy the $2 billion in additional credit and liquidity to our customers.

To calibrate the company to a slower growth environment, State Street took a number of steps, including a reduction in our global workforce. Impacting approximately 2,000 positions, the reduction was largely achieved by consolidating senior and middle management and staff positions.

We enhanced our already strong risk management culture and company-wide systems in early 2008, appointing industry veteran Maureen Miskovic as chief risk officer to advance the strategy of our global risk organization and to conduct ongoing reviews of our risk governance and management processes.

We also made other significant leadership appointments. Scott Powers joined the company as president and chief executive officer of State Street Global Advisors. David Puth was hired to lead our global investment research, securities finance and trading activities. State Street veteran Jay Hooley was promoted to president and chief operating officer responsible for all our asset servicing activities worldwide.

I am proud of State Street’s 2008 performance, our perseverance through difficult times, and our employees’ continued tenacity and loyalty. Though we expect 2009 to present industry-wide challenges, we are confident that the strength of our business will help us maintain momentum.

Ronald E. Logue
Chairman and Chief Executive Officer
Letter from the Director of Community Affairs

During this historically challenging period for the financial services industry, a commitment to corporate social responsibility (CSR) is more important than ever. I am pleased to report that State Street continued to strengthen its CSR commitment during 2008. Increased transparency remains a top priority. In collaboration with an external stakeholder group in 2008, we sought their views on “big-picture” sustainability issues in the current environment, and our report reflects their responses. We also conducted a workshop with a cross section of our staff to understand their views on CSR, identify and prioritize key CSR issues from their perspective, and assess the relative significance of those issues for State Street. To ensure even greater transparency and accuracy in our reporting, we again engaged an independent firm to provide assurance verification of the information contained in our full report.

In addition to continuing the global rollout of our Environmental Management System (EMS), we revised our Environmental Policy Statement, developed an Environmental Sustainability Strategy Statement, and created an Office of Environmental Sustainability to be housed in Community Affairs and reporting to our CSR officer.

Building on the thoughtful work that led to the development of our Human Rights Statement, we continued to explore ways to ensure that our employees — wherever they are located — are treated with respect for their dignity and their individual rights.
Challenging times call for more creativity in providing support to our communities. Increasingly, we try to capture the whole picture of a charitable organization’s needs, recognizing that volunteer efforts may mitigate some of the need for financial support. In our strategic grantmaking efforts, we are moving toward an approach that focuses largely on programs that address education, especially workforce development, and employability. Our ultimate intention is that 70 percent of State Street Foundation grants will go to these kinds of initiatives.

Recognizing the significant human and community needs during the current economic crisis and understanding that organizations need time to adapt to our new focus, we are proceeding cautiously in restructuring our grant portfolio to achieve the 70/30 ratio.

In keeping with State Street’s Global Inclusion initiative, we continue to explore ways to make employee workplace giving programs available globally. In 2008, we expanded our Matching Gift Program to include Germany, Austria and South Africa, and we formed an advisory committee to look at organizations around the world that can provide opportunities for our employees to participate in giving campaigns. Our goal is to make this program available to all employees throughout the Europe, Middle East and Africa (EMEA) region by the end of 2009.

In good times, companies such as State Street are called upon to do a lot. In difficult times, we are called to do even more. Our commitment to CSR is unwavering at all times.

George A. Russell, Jr.
Executive Vice President and Director of Community Affairs
GOVERNANCE

State Street’s financial objective is to create value for our shareholders. We seek to deliver consistent profitability highlighted by a disciplined expense culture. We manage the risks inherent in our business with systems, procedures and oversight that ensure transparency and long-term sustainability. The way we conduct business not only underscores our long-standing reputation for quality, integrity and consistency, it also impacts those who rely on us to fully comply with laws that regulate our company. Our adherence to these standards is reflected in our established corporate governance approach and in the work we do every day across all business operations, from compliance to risk management to product development. Corporate governance is part of the very fabric of our company.

10 countries represented on the CSR Working Group

$5.61 operating earnings per share
In June 2008, in light of the challenges resulting from the global financial crisis, we raised $2.5 billion in equity capital for general corporate purposes, providing additional support for our tangible common equity (TCE) ratio. Although State Street has one of the highest regulatory capital ratios in the industry, the market has increasingly focused on the impact of pro forma consolidation of the commercial paper conduits that we administer on our TCE ratio. In February 2009, we announced a plan to strengthen this pro forma ratio, which includes a reduction in the dividend on our common stock to $0.01 per share and a more conservative investment approach for our investment portfolio.

31 years of consecutive operating earnings growth

42 members on the CSR Working Group
Given that our shareholders are making sacrifices through dividend reductions, we believe we must also be willing to make our own sacrifices. Therefore, certain members of senior management did not receive incentive compensation for 2008. We also reduced 2008 incentive compensation by 50 percent for all but our most junior employees.

In addition to focusing on our capital structure, we enhanced our risk management team and company-wide systems in 2008. We appointed Maureen Miskovic as chief risk officer to advance the strategy for our global risk organization, which includes identifying and addressing capital adequacy requirements, as well as business risks and emerging opportunities.

As an outcome of the risk review, we are taking a more centralized approach to assessing the opportunities and risks associated with new products and services. In 2008, we formed a New Business and Product Committee that brings together senior management from a range of business and functional units to evaluate proposals for new products and services, acquisitions, and the formation of subsidiaries and affiliates, as well as branches. The committee’s goal is to streamline the process of bringing new products to market and completing transactions while evaluating our ability to offer the proposed product and its associated business, reputational and other risks. All approved proposals are periodically reported to State Street’s Operating Group, the highest-ranking executives in the company.

Central to our corporate governance structure is our CSR Working Group, established in 2007 to provide a system for assessing and managing sustainability issues within the company. The working group is comprised of 42 members that represent State Street’s business units, corporate functions and distinct geographic regions. Working group subcommittees collaborate throughout the year to develop and help execute CSR initiatives related to human rights, sustainable sourcing, communication and reporting. In 2008, the working group developed the CSR Policy Statement, continued work on the Human Rights Statement, contributed to the revision of our Environmental Policy and Strategy, developed a plan for more effective internal communications on CSR issues, and began a strategic sourcing best-practices analysis.
PRACTICING SOUND CORPORATE GOVERNANCE IS INTEGRAL TO OUR SUCCESS AND ABILITY TO DELIVER VALUE TO ALL OF OUR STAKEHOLDERS.

Maureen Miskovic
Chief Risk Officer
State Street’s customers are among some of the largest institutional investors in the world, including governments, corporations, insurance companies, mutual funds, hedge funds, investment managers, central banks and monetary authorities, endowments and foundations, nonprofit organizations, health care institutions, and unions. Our broad and integrated range of financial services spans the entire investment spectrum, including research, investment management, trading services and investment servicing. By using any combination of these services, our customers can deliver more value to their clients, control costs, launch new products and expand globally.

At the end of 2008, our investment servicing capabilities accounted for 82 percent of our total revenue, while investment management services represented the remaining 18 percent. Because of the close relationships we’ve developed with our customers, we understand the tremendous importance that CSR issues have in the competitive bidding process.

$75 million
total spending with US minority- and women-owned suppliers (5% increase over 2007)

$60.3 billion
ESG-based assets under management* (25% decrease over 2007)

*As of December 31, 2008
We help some of our investment servicing customers meet their own CSR objectives by analyzing their investments based on environmental, social and governance (ESG), compliance and risk criteria. For our investment management customers, we have developed ESG investment opportunities. We also extend the reach of our CSR commitment by setting CSR standards for our strategic sourcing practices.
State Street Global Advisors (SSgA) offers ESG mandates through our ESG investment team, which focuses on core disciplines, including indexing and quantitative strategies. In an effort to ensure the most effective allocation of our investment management resources, in 2008 SSgA suspended its Global Fundamental Strategies group, which included the closing of the Global Environmental Opportunities Strategy (GEOS) fund, an ESG investment product.

The increased scrutiny in today’s business climate requires a program that ensures absolute adherence to current laws and regulations. At the same time, State Street must conduct global business activities and functions while anticipating regulatory changes. Our Corporate Compliance Program seeks to cultivate a culture in which compliance is an integral part of our business environment. The program includes establishing, monitoring and overseeing the
testing of an integrated framework of compliance controls, policies and procedures across our business operations, promoting compliance with applicable and relevant legal and regulatory requirements and their implementation in corporate policies.

We foster an environment of timely and open communication and escalation of compliance-related matters. Program activities include oversight of our anti-money laundering program, educating employees engaged in broker/dealer activities about the requirements of various securities regulations, assessing and reporting the adequacy of information technology controls, and ensuring the privacy of all customer and employee data.

$10.5 billion total operating basis revenue (28% increase over 2007)
We believe our environmental practices have a direct effect on our ability to attract and retain customers, on our efforts to operate cost-effectively, and on our long-term sustainability. To succeed in these areas, State Street is incrementally introducing a formal Environmental Management System (EMS) that tracks and monitors our environmental performance from an operations perspective. Launched in Eastern Massachusetts in 2006, the EMS is expected to be implemented worldwide by the end of 2009. In considering our environmental impact, we look creatively at all the ways we can affect our physical surroundings, taking actions that minimize negative impacts and maximize the positive ones. Recognizing the threat of climate change, we have made it a corporate imperative to increase our efforts to reduce the use of fossil fuels. In the financial services industry, environmental leadership is often related to an institution’s lines of business and tied to the size of its monetary investment. Given the nature of our business, our aim is to be an environmental leader among our peers within the industry.
Early in 2008, we established an executive-level Environmental Sustainability (ES) Committee to evaluate State Street’s current ES practices against environmental “best practices,” develop goals, action plans, and reporting metrics and processes for 2008 and beyond, as well as recommend a permanent approach in the oversight of our ES activities. The committee launched a number of global initiatives that focused on minimizing our impact on the environment. Some of the initiatives included purchasing recycled paper, initiating the use of biodegradable plastics in the cafeterias, replacing Styrofoam cups with paper cups, and launching the use of green cleaning products. Employee engagement is an important part of the ES effort, and the committee launched an ES intranet page with employee feedback elements. The site has received numerous suggestions from employees, which have been incorporated into our plans.

89,136 metric tons CO₂ emissions from indirect energy usage

5,044 metric tons CO₂ emissions from direct energy usage

13,792 metric tons CO₂ emissions from business travel

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1 Covers 50% of global employees
2 Covers 43% of global employees
3 Covers 64% of global employees
4 Covers 45% of global employees
5 Does not cover all business travel miles. CO₂ emissions from air and rail travel estimated based on mileage provided by travel vendors in Australia, Canada, Europe and the US. Air travel includes private jet. Car travel is US only.
The new structure of our Environmental Sustainability (ES) program includes a permanent, executive-level ES Committee with representatives from key operational departments and business areas, the already-existing ES Working Group and an Office of Environmental Sustainability housed in the Community Affairs Department with a new, full-time ES staff member reporting to our CSR officer. The ES Committee will report semiannually to top-level management and to the board of directors. For 2009 and beyond, the committee’s focus is threefold: operational issues, opportunities arising from demand for ES-related products and services, and employee engagement and communication.

Specific operational recommendations to be implemented in 2009 include: expanding recycling programs to all global offices; beginning a three-year phase-in of energy-efficient flat screen monitors to replace older desktop monitors; expanding technology to remotely power down PCs during non-business periods; increasing the purchase of renewable energy in our Massachusetts’ offices from 20 percent to 50 percent; increasing the percentage of recycled paper usage while reducing the overall amount of paper consumption; expanding the data center energy reduction program; and encouraging alternative means of employee commuting by installing additional showers and bike racks.

We will revise our environmental targets following the launch of the EMS globally. Meanwhile, we continue to track progress toward our 2006 goals, covering operations in our eastern Massachusetts offices.

When State Street first launched our Environmental Management System (EMS), we set goals for our Massachusetts operations targeting five categories: carbon emissions, oil usage, gas usage, electricity usage and recycled paper. In 2007, we also began purchasing renewable energy to help meet our goal of reducing carbon emissions from indirect energy usage.
WE SEE GREAT OPPORTUNITIES FOR EVEN MORE IMPROVEMENT AS WE CONTINUE TO INTEGRATE RESPONSIBLE ENVIRONMENTAL PRACTICES INTO OUR DAILY OPERATIONS AND BUSINESS PRODUCTS.

Joe Chow
Environmental Sustainability Committee Chair

| 216 pounds recycled waste per person* |

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<th>2010</th>
<th>06</th>
<th>07</th>
<th>08</th>
<th>Goal</th>
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<tbody>
<tr>
<td>oil usage</td>
<td>36.8</td>
<td>3.6</td>
<td>5.7</td>
<td></td>
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<tr>
<td>85% reduction</td>
<td>gallons per person</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gas usage</td>
<td>52.6</td>
<td>82.5</td>
<td>71.5</td>
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<tr>
<td>36% increase</td>
<td>therms per person</td>
<td></td>
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<tr>
<td>electricity usage</td>
<td>11,500</td>
<td>11,680</td>
<td>13,270</td>
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<tr>
<td>15% increase</td>
<td>kilowatt hours per person</td>
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<td></td>
<td></td>
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<tr>
<td>paper recycled</td>
<td>Not Tracked</td>
<td>186</td>
<td>201</td>
<td></td>
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<tr>
<td>8% increase</td>
<td>pounds per person</td>
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*Covers 48% of global employees
State Street employs more than 28,000* people in 27 countries around the world. We recognize that highly skilled, productive employees are essential to our success. In all of our locations, we aim to be an employer of choice by offering competitive compensation and benefits, personal and professional development opportunities, and a work environment that promotes a diverse array of people, ideas and job skills. Because we operate in countries with a variety of cultural norms, our Human Rights Statement emphasizes our commitment to respecting the dignity of all our employees. We understand that our long-term sustainability depends on our ability to attract and retain talented, dedicated employees. In periods of business downturn, we strive to balance the need for cost reductions with our commitment to investing in the skills and well-being of our employees.

$3.8 billion
2008 global payroll
(15% increase over 2007)

108.5%
of three-year senior management diversity goal achieved after three years
State Street’s workforce is comprised of diverse individuals with varied backgrounds and unique needs. For some, working traditional hours is not always possible. When business needs allow, flexible work arrangements can be a creative solution to meet the demands of a competitive work environment. In 2008, we formed an executive-level committee to focus on flexible work arrangements at State Street. The committee conducted focus groups and an all-employee survey to gauge current perceptions of work flexibility at State Street and develop a framework for further implementation of flexible work arrangements. The committee’s work resulted in the establishment of an Office of Flexibility, and guidelines were created for managers and employees to explore and implement flexible work arrangements, offering significant benefits from a business, employee and environmental perspective.

65% of employee survey respondents believe their managers recognize the importance of work/life issues for business success

17.2% total turnover rate (23% decrease over 2007)
Our company-wide Global Inclusion initiative, launched in 2004, aims to ensure that our employees have the opportunity to do their best work by creating an environment in which they feel valued and engaged by recognizing and using the unique talents that each possesses. Led by senior managers and supported by regional groups with representation from each business unit and staff function, employee teams identified three goals: providing managers with best-practices support for developing skills in managing people, building the infrastructure needed to attract and retain a diverse employee population, and increasing openness and transparency in communications.

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<tr>
<th>2008 Goals</th>
<th>2008 Accomplishments</th>
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<tr>
<td>Institutionalize mentoring programs.</td>
<td>Number of formal mentoring programs at State Street increased in 2008 by 36 percent and now includes nearly 1,000 participants.</td>
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<tr>
<td>Ensure that flexible work policies are implemented across the organization.</td>
<td>Established workstreams to explore the implementation of flexible work arrangements at State Street and conducted an all-employee survey to understand employees’ perceptions of flexibility at State Street.</td>
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Achieve a heightened level of internal recognition for Global Inclusion.

Incorporated the Global Inclusion message more fully into existing internal communication channels; created Global Inclusion brand and identity to increase employee awareness and to include more inclusive and diverse values in hiring efforts.

Ensure that employee and manager engagement in and support for Global Inclusion is recognized as key performance behavior and linked to the annual Performance Planning and Review Process (PPR) and incentive compensation.

Established mandatory Global Inclusion goals for every employee, beginning in the 2009 PPR cycle.
Active engagement with our communities around the world, both as a partner and as a leader, is a fundamental value at State Street. The very nature of our business means that long-term, sustainable success is linked to a strong global economy. We are committed to increasing the economic well-being of communities where we operate, especially by helping to equip the underserved with the resources to succeed. We provide monetary support through a variety of community investment initiatives, corporate donations and the State Street Foundation. Recognizing that our employees are a valuable resource in their communities, we encourage, support and celebrate their volunteer efforts. Our offices around the world take responsibility for developing relationships with their respective community leaders and organizations and, with the support of headquarters’ resources, initiate programs appropriate for their locales. We take pride in our tradition of community support, and we believe our efforts help to create a safer, stronger, more vibrant world.

$18.8 million
State Street Foundation philanthropic investments
(4% increase over 2007)

$1.5 million
State Street Foundation matches of employee gifts
(114% increase over 2007)
In 2008, we began a planning process to further strengthen our approach to community efforts. We conducted interviews with community leaders from a variety of organizations in the Boston area to identify community needs and understand the perceptions and expectations of our community affairs activities. Internal interviews were conducted with senior executives and other employees in Boston, UK and other European locations to assess community needs in their areas, as well as their awareness of and attitudes toward State Street’s community activities. Based on the findings of the surveys, we are exploring new, tailored approaches to community involvement. One area of particular focus is education, especially workforce development.
State Street provides a variety of mechanisms for employees to make financial contributions to their communities. Our Matching Gift Program is available to employees in Australia, Austria, Canada, Germany, Ireland, South Africa, the UK and the US. We are exploring other ways to provide expanded giving opportunities for employees around the world.

We believe that employees are drawn to companies that provide opportunities for personal involvement in helping to improve their communities. Volunteerism is an important aspect of work/life balance. As a company that strives to be an employer of choice, we have made volunteerism an important part of our corporate culture. State Street Global Outreach,™ a volunteer program available to employees in 21 countries and State Street alumni in Massachusetts, supports our corporate goals by building strong customer relationships through joint volunteer efforts and by fostering teamwork among our employees. Given the turbulent market conditions of 2008 and the increased demands that were put on our employees, State Street worked creatively to develop a variety of volunteer projects that could be done by employees on site, individually or in small groups.
2008 State Street Volunteer Project Highlights

In South Africa, State Street employees donated items such as toiletries and bedding for residents of the Durbanville Children’s Home who have completed their education and are leaving the home. The “starting-off kits” help young people who are embarking on jobs and independent living.

In Irvine, California, the Academy of Business Leadership’s Summer Business Institute provides underprivileged, high-potential middle- and high-school students with a firsthand look at corporate America. As part of the program, the students visit State Street, where they interact with senior and middle managers, and attend employee-run workshops about leadership, communication and development training.

For more information on State Street’s CSR efforts, contact Richard Pearl at rwpearl@statestreet.com
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