

NORTHERN TRUST CORP
Form 10-K
February 26, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 0-5965

NORTHERN TRUST CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

36-2723087
(I.R.S. Employer
Identification No.)

50 South La Salle Street

Chicago, Illinois
(Address of principal executive offices)

60603
(Zip Code)

Registrant's telephone number, including area code: (312) 630-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, \$1.66 ²/₃ Par Value	The Nasdaq Stock Market
Preferred Stock Purchase Rights	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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(Check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the Common Stock as of June 30, 2009 (the last business day of the registrant's most recently completed second quarter), based upon the last sale price of the Common Stock at June 30, 2009 as reported by The Nasdaq Stock Market, held by non-affiliates was approximately \$12,239,497,407. Determination of stock ownership by non-affiliates was made solely for the purpose of responding to this requirement and the registrant is not bound by this determination for any other purpose.

At February 24, 2010, 241,804,518 shares of Common Stock, \$1.66 ²/₃ par value, were outstanding.

Portions of the following documents are incorporated by reference:

Annual Report to Stockholders for the Fiscal Year Ended December 31, 2009 Part I and Part II

2010 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2010 Part III

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Northern Trust Corporation

FORM 10-K

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of the Securities Exchange Act of 1934

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PART I

Item 1 Business

NORTHERN TRUST CORPORATION

Northern Trust Corporation (Corporation) is a financial holding company that is a leading provider of asset servicing, fund administration, investment management, banking and fiduciary solutions for corporations, institutions and affluent individuals worldwide. The Corporation conducts business through various U.S. and non-U.S. subsidiaries, including The Northern Trust Company (Bank). The Corporation was originally formed as a holding company for the Bank in 1971. The Corporation has 79 offices in 18 U.S. states and 16 international locations outside the U.S. At December 31, 2009, the Corporation had consolidated total assets of \$82.1 billion and stockholders' equity of \$6.3 billion.

The Bank is an Illinois banking corporation headquartered in the Chicago financial district and the Corporation's principal subsidiary. Founded in 1889, the Bank conducts its business through its U.S. operations and its various U.S. and non-U.S. branches and subsidiaries. At December 31, 2009, the Bank had consolidated assets of \$68.8 billion and common equity capital of \$4.8 billion.

The Corporation expects that, although the operations of other banking and non-banking subsidiaries will continue to be of increasing significance, the Bank will in the foreseeable future continue to be the major source of the Corporation's consolidated assets, revenues, and net income. Except where the context otherwise requires, the term "Northern Trust" refers to Northern Trust Corporation and its subsidiaries on a consolidated basis. A complete list of the Corporation's direct and indirect subsidiaries is filed as Exhibit 21 to this Annual Report on Form 10-K and incorporated into this Item by reference.

BUSINESS UNITS

Under the leadership of Frederick H. Waddell, the Chairman of the Board, President, and Chief Executive Officer of the Corporation, Northern Trust organizes its services globally around its two client-focused principal business units: Corporate and Institutional Services (C&IS) and Personal Financial Services (PFS). Two other business units provide services to the two principal business units: Northern Trust Global Investments (NTGI), which provides investment management, and Operations and Technology (O&T), which provides operating and systems support.

Financial information regarding the Corporation and its business units is included in the Corporation's Annual Report to Stockholders for the year ended December 31, 2009. In particular, for a discussion of significant developments in the business of the Corporation, and the impact on the financial results of the Corporation and its business units for the fiscal year ended December 31, 2009, you are urged to review the section entitled "Consolidated Results of Operations" on pages 24 through 32 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's Annual Report to Stockholders for the year ended December 31, 2009, which is incorporated herein by reference.

The following is a brief summary of each business unit's activities and the activities of the Corporate Financial Management Group and the Corporate Risk Management Group.

Corporate and Institutional Services

C&IS is a leading global provider of asset servicing, asset management, and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, and government funds. C&IS also offers a full range of commercial banking services, placing special emphasis on developing and supporting institutional relationships in two target markets: large and mid-sized corporations and financial institutions. Asset servicing, asset management, and related services encompass a full range of state-of-the-art capabilities including: global master trust and custody, trade settlement, and reporting; fund administration; cash management; investment risk and performance analytical services; and investment operations outsourcing. Client relationships are managed through the Bank and the Bank's and the Corporation's subsidiaries, including support from international locations in North America, Europe, the Asia-Pacific region and the Middle East. Asset servicing relationships managed by C&IS often include investment management, securities lending, transition management, and commission recapture services provided through NTGI. C&IS also provides related foreign exchange services in the U.S., U.K., and Singapore. At December 31, 2009, total C&IS assets under custody were \$3.3 trillion and assets under management were \$482.0 billion.

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Personal Financial Services

PFS provides personal trust, investment management, custody, and philanthropic services; financial consulting; guardianship and estate administration; brokerage services; and private and business banking. PFS focuses on high net worth individuals and families, business owners, executives, professionals, retirees, and established privately-held businesses in its target markets. PFS also includes the Wealth Management Group, which provides customized products and services to meet the complex financial needs of individuals and family offices in the United States and throughout the world with assets typically exceeding \$200 million.

PFS is one of the largest providers of personal trust services in the United States, with \$331.1 billion in assets under custody and \$145.2 billion in assets under management at December 31, 2009. PFS services are delivered through a network of 79 offices in 18 U.S. states as well as offices in London and Guernsey.

Northern Trust Global Investments

NTGI, through various subsidiaries of the Corporation, provides a broad range of investment management and related services and other products to U.S. and non-U.S. clients, including clients of C&IS and PFS. Clients include institutional and individual separately managed accounts, bank common and collective funds, registered investment companies, non-U.S. collective investment funds and unregistered private investment funds. NTGI offers both active and passive equity and fixed income portfolio management, as well as alternative asset classes (such as private equity and hedge funds of funds) and multi-manager products and services. NTGI's activities also include brokerage, securities lending, transition management, and related services. NTGI's business operates internationally through subsidiaries, joint ventures, alliances, and distribution arrangements.

Operations and Technology

O&T supports all of Northern Trust's business activities, including the processing and product management activities of C&IS, PFS, and NTGI. These activities are conducted principally in the operations and technology centers in Chicago, London, and Bangalore and fund administration centers in Ireland.

Corporate Financial Management Group

The Corporate Financial Management Group includes the Chief Financial Officer, Controller, Treasurer, Corporate Development, Investor Relations, and Procurement functions. The Group is responsible for Northern Trust's accounting and financial infrastructure and for managing the Corporation's financial position.

Corporate Risk Management Group

The Corporate Risk Management Group includes the Credit Policy and other Corporate Risk Management functions. The Credit Policy function is described in the "Loans and Other Extensions of Credit" section of the Annual Report to Stockholders for the year ended December 31, 2009 on pages 52-59. The Corporate Risk Management Group monitors, measures, and facilitates the management of risks across the businesses of the Corporation and its subsidiaries.

GOVERNMENT MONETARY AND FISCAL POLICIES

The earnings of Northern Trust are affected by numerous external influences. Chief among these are general economic conditions, both domestic and international, and actions that governments and their central banks take in managing their economies. These general conditions affect all of Northern Trust's businesses, as well as the quality, value, and profitability of their loan and investment portfolios.

The Board of Governors of the Federal Reserve System (Federal Reserve Board) is an important regulator of U.S. economic conditions and has the general objective of promoting orderly economic growth in the United States. Implementation of this objective is accomplished by the Federal Reserve Board's open market operations in United States Government securities, its setting of the discount rate at which member banks may borrow from Federal Reserve Banks and its changes in the reserve requirements for deposits. The policies adopted by the Federal Reserve Board may strongly influence interest rates and hence what banks earn on their loans and investments and what they pay on their savings and time deposits and other purchased funds. Fiscal policies in the United States and abroad also affect the composition and use of Northern Trust's resources.

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COMPETITION

The businesses in which Northern Trust operates are very competitive. Competition is provided by both unregulated and regulated financial services organizations, whose products and services span the local, national, and global markets in which Northern Trust conducts operations.

Northern Trust's principal business strategy is to provide quality financial services to targeted market segments in which it believes it has a competitive advantage and favorable growth prospects. As part of this strategy, Northern Trust seeks to deliver a level of service to its clients that distinguishes it from its competitors. In addition, Northern Trust emphasizes the development and growth of recurring sources of fee-based income and is one of a select group of major bank holding companies in the United States that generates more revenues from fee-based services than from net interest income. Northern Trust seeks to develop and expand its recurring fee-based revenue by identifying selected markets with good growth characteristics and providing a high level of individualized service to its clients in those markets. Northern Trust also seeks to preserve its asset quality through established credit review procedures and to maintain a conservative balance sheet. Finally, Northern Trust seeks to operate with a strong management team that includes senior officers having broad experience and long tenures.

Commercial banks, savings banks, savings and loan associations, and credit unions actively compete for deposits, and money market funds and investment banking firms offer deposit-like services. These institutions, as well as consumer and commercial finance companies, national retail chains, factors, insurance companies, and pension trusts, are important competitors for various types of loans. Issuers of commercial paper compete actively for funds and reduce demand for bank loans. For personal and corporate trust services and investment counseling services, trust companies, investment banking firms, insurance companies, investment counseling firms, and others offer active competition.

REGULATION AND SUPERVISION

Financial Holding Company Regulation

Under U.S. law, the Corporation is a bank holding company that has elected to be a financial holding company under the Bank Holding Company Act of 1956 (BHCA) as amended by the Gramm-Leach-Bliley Act (GLBA). Consequently, the Corporation and its business activities throughout the world are subject to the supervision, examination, and regulation of the Federal Reserve Board. The BHCA and other federal laws subject bank and financial holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. Supervision and regulation of bank holding companies, financial holding companies, and their subsidiaries are intended primarily for the protection of depositors and other clients of banking subsidiaries, the deposit insurance fund of the Federal Deposit Insurance Corporation (FDIC), and the banking system as a whole, not for the protection of stockholders or other creditors.

Under the BHCA, bank holding companies and their banking subsidiaries are generally limited to the business of banking and activities closely related or incidental to banking. As a financial holding company, the Corporation is permitted to engage in other activities that the Federal Reserve Board, working with the Secretary of the Treasury, determines to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity and that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally, or to acquire shares of companies engaged in such activities. Activities defined to be financial in nature include: providing financial or investment advice; securities underwriting and dealing; insurance underwriting; and making merchant banking investments in commercial and financial companies, subject to significant limitations. They also include activities previously determined by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. The Corporation may not, however, directly or indirectly acquire the ownership or control of more than 5% of any class of voting shares, or substantially all of the assets, of a bank holding company or a bank, without the prior approval of the Federal Reserve Board.

In order to maintain the Corporation's status as a financial holding company, each of the Corporation's insured depository institution subsidiaries must remain well capitalized and well managed under applicable regulations, and must have received at least a satisfactory rating in its most recent examination under the Community Reinvestment Act. Failure to meet one or more of these requirements would mean, depending on the requirements not met, that the Corporation could not undertake new activities, make acquisitions other than those permitted generally for bank holding companies, or continue certain activities.

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Subsidiary Regulation

The Bank is a member of the Federal Reserve System, its deposits are insured by the FDIC up to the maximum authorized limit, and it is subject to regulation by both these entities, as well as by the Division of Banking of the Illinois Department of Financial and Professional Regulation. The Bank is registered as a government securities dealer in accordance with the Government Securities Act of 1986. As a government securities dealer, its activities are subject to the rules and regulations of the Department of the Treasury. The Bank is also registered as a transfer agent with the Federal Reserve Board and is therefore subject to the rules and regulations of the Federal Reserve Board in this area. In addition, the Corporation, the Bank and the Corporation's New York trust company subsidiary are subject to regulation by the Banking Department of the State of New York.

The Corporation's national bank subsidiaries are members of the Federal Reserve System and are subject to regulation by the Office of the Comptroller of the Currency (OCC), with deposits insured by the FDIC to the extent provided by the Federal Deposit Insurance Act and FDIC regulations. Northern Trust Bank, FSB is a federal savings bank that is not a member of the Federal Reserve System and is subject to regulation by the Office of Thrift Supervision and the FDIC. Its deposits are insured by the FDIC.

The Corporation's nonbanking affiliates are all subject to examination by the Federal Reserve Board. Its broker-dealer subsidiary is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, subject to the rules and regulations of both of these bodies. Several subsidiaries of the Corporation are registered with the SEC under the Investment Advisers Act of 1940 and are subject to that act and the rules and regulations promulgated thereunder. Other subsidiaries are regulated by the Connecticut Department of Banking and the Office of the State Bank Commissioner in Delaware. Two families of mutual funds for which the Bank acts as investment adviser and one registered closed-end hedge fund of funds for which another subsidiary serves as investment adviser are subject to regulation by the SEC under the Investment Company Act of 1940.

Functional Regulation

Enacted in late 1999, the GLBA established a system of federal and state regulation based on functional regulation, meaning that primary regulatory oversight for a particular activity generally resides with the federal or state regulator designated as having the principal responsibility for that activity. Banking is supervised by federal and state banking regulators, insurance by state insurance regulators, and securities activities by the SEC and state securities regulators.

A significant component of the functional regulation provided in the GLBA relates to the application of federal securities laws and SEC oversight of some bank securities activities previously exempt from broker-dealer regulation. Among other things, the GLBA amended the definitions of broker and dealer under the Exchange Act to remove the blanket exemption for banks. Without this blanket exemption, banks may conduct securities activities without broker-dealer registration only if the activities fall within a set of activity-based exemptions designed to allow banks to conduct only those activities traditionally considered to be primarily banking or trust activities. Securities activities outside these exemptions, as a practical matter, need to be conducted by a registered broker-dealer affiliate. The SEC and the Federal Reserve Board in September 2007 adopted a regulation to implement the broker activities exemption of the GLBA that became effective for the Bank beginning January 1, 2009. The GLBA also amended the Investment Advisers Act of 1940 to require the registration of any bank or separately identifiable division of the bank that acts as investment adviser for mutual funds. The Corporation believes that it has taken the necessary actions to comply with these requirements of GLBA and the regulations adopted under them.

Non-U.S. Regulation

The increasingly important activities of the Corporation's subsidiaries outside the United States are subject to regulation by a number of non-U.S. regulatory agencies. Subsidiaries conducting banking, fund administration and asset servicing businesses in the United Kingdom, for example, are authorized to do so pursuant to the UK Financial Services and Markets Act of 2000 or are otherwise subject to regulation by the Financial Services Authority (FSA). The FSA exercises broad supervisory and disciplinary powers that include the power to temporarily or permanently revoke authorization to conduct a regulated business upon breach of the relevant regulations, suspend registered employees, and impose censures and fines on both regulated businesses and their regulated employees. The non-U.S. subsidiaries of the Corporation and branches of the Bank outside the United States are subject to the laws and regulatory authorities of the jurisdictions in which they operate. Additionally, Northern Trust's subsidiary banks located outside the U.S. are subject to regulatory capital requirements in the jurisdictions in which they operate. As of December 31, 2009, each of Northern Trust's non-U.S. banking subsidiaries had capital ratios above their specified minimum requirements.

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Emergency Economic Stabilization Act of 2008 and Other Market-Support Measures

In response to the global credit and liquidity crisis impacting financial institutions both domestically and internationally, the United States government, particularly the U.S. Department of the Treasury (U.S. Treasury), the Federal Reserve Board and the FDIC have taken a number of extraordinary measures designed to restore confidence in the financial markets and to strengthen financial institutions, including capital injections, guarantees of bank liabilities, and the creation of special finance facilities. On October 3, 2008, the United States Congress enacted the Emergency Economic Stabilization Act of 2008 (EESA), under which the U.S. Treasury is granted broad authority to take a range of actions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

The Corporation's participation in these various programs has been limited to the capital purchase program (CPP) under the Troubled Assets Relief Program (TARP), participation by certain of its subsidiary depository institutions in the FDIC's Transaction Account Guarantee Program, and by certain funds advised by a subsidiary of the Corporation in the Temporary Guaranty Program for Money Market Funds, each of which is described below. However, the Corporation continues to monitor each of the programs announced to date and the other legislative and regulatory developments that continue to emerge in reaction to the global financial crisis and evaluate the need for, and the relative advantages and disadvantages to, participation by the Corporation in those various programs.

Troubled Assets Relief Program (TARP) Under TARP, the U.S. Treasury has authorized a voluntary CPP to purchase up to \$250 billion of senior preferred shares and warrants of qualifying financial institutions that elect to participate. On November 14, 2008, as part of the CPP, the Corporation issued and sold to the U.S. Treasury (i) 1,576,000 shares of the Corporation's Fixed Rate Cumulative Perpetual Preferred Stock, Series B, without par value and having a liquidation preference of \$1,000 per share, and (ii) a ten-year warrant to purchase up to 3,824,624 shares of the Corporation's common stock, at an exercise price of \$61.81 per share, for an aggregate purchase price of \$1.576 billion in cash. On June 17, 2009, the Corporation repurchased all of the preferred stock issued and sold to the U.S. Treasury under the CPP. On August 26, 2009, the Corporation repurchased the warrant to purchase shares of common stock that the Corporation issued and sold to the U.S. Treasury under the CPP, completing the Corporation's participation in the CPP.

Temporary Guarantee Program for Money Market Mutual Funds In late September 2008, the U.S. Treasury opened its Temporary Guarantee Program for Money Market Mutual Funds (Temporary Guarantee Program). The U.S. Treasury will guarantee the share price of any publicly offered eligible money market fund that applies for and pays a fee to participate in the Temporary Guarantee Program. The Temporary Guarantee Program was designed to address temporary dislocations in credit markets. Initially, the program was going to run through April 30, 2009 but it was extended to September 18, 2009, at which point the program expired. Certain funds advised by a subsidiary of the Corporation have participated in this program.

Cross-Guarantees Under the Federal Deposit Insurance Act

Under the Federal Deposit Insurance Act (FDIA), when two or more insured depository institutions are under common control, each of those depository institutions may be liable for any loss incurred, or expected to be incurred, by the FDIC in connection with the default of any of the others. Each also may be liable for any assistance the FDIC provides to the other institutions. Default means the appointment of a conservator or receiver for the institution. Thus, any of the Corporation's banking subsidiaries could be liable to the FDIC if the FDIC were to suffer a loss in connection with any of the Corporation's other banking subsidiaries. This cross-guarantee liability for a loss at a commonly controlled institution would be subordinated in right of payment to deposit liabilities, secured obligations, any other general or senior liability, and any obligation subordinated to depositors or other general creditors, other than obligations owed to any affiliate of the depository institution (with certain exceptions). Although neither the Corporation nor any of its nonbanking subsidiaries may be assessed for such loss under the FDIA, the Corporation has agreed to indemnify each of its banking subsidiaries, other than the Bank, for any payments a banking subsidiary may be required to make to the FDIC pursuant to these provisions of the FDIA.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial and managerial strength to its banking subsidiaries and commit resources to their support. This support may be required by the Federal Reserve Board at times when, absent this Federal Reserve Board policy, it would not otherwise be provided. The Corporation has source of strength agreements in place with its existing subsidiaries evidencing its commitment to provide such support as needed. In addition, any capital loans by a bank holding company to any of its depository institution subsidiaries are subordinate in right of payment to deposits and to certain other indebtedness of the banks.

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Payment of Dividends

The Corporation is a legal entity separate and distinct from its subsidiaries. The principal source of funds for the Corporation is dividends from the Bank. As a result, the Corporation's ability to pay dividends on its common stock will depend primarily on the ability of the Bank to pay dividends to the Corporation in amounts sufficient to service its obligations. Dividend payments from the Bank are subject to Illinois law and to regulatory limitations, generally based on capital levels and current and retained earnings, imposed by various regulatory agencies with authority over the Bank. The ability of the Bank to pay dividends is also subject to regulatory restrictions if paying dividends would impair its profitability, financial condition or other cash flow requirements.

The Federal Reserve Board has issued a policy statement with regard to the payment of cash dividends by bank holding companies. The policy statement provides that, as a matter of prudent banking, a bank holding company should not maintain a rate of cash dividends unless its net income available to common stockholders has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears to be consistent with the holding company's capital needs, asset quality, and overall financial condition. Accordingly, a bank holding company should not pay cash dividends that exceed its net income or can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing.

Various federal and state statutory provisions limit the amount of dividends the Bank can pay to the Corporation without regulatory approval. Approval of the Federal Reserve Board is required for payment of any dividend by a state chartered bank that is a member of the Federal Reserve System if the total of all dividends declared by the bank in any calendar year would exceed the total of its retained net income (as defined by regulatory agencies) for that year combined with its retained net income for the preceding two years. In addition, a state member bank may not pay a dividend in an amount greater than its undivided profits, as defined, without regulatory and stockholder approval.

The Bank is also prohibited under federal law from paying any dividend that would cause it to become undercapitalized. In addition, the federal regulatory agencies are authorized to prohibit a bank or bank holding company from engaging in an unsafe or unsound banking practice. The payment of dividends could, depending on the financial condition of the Bank, be deemed to constitute an unsafe or unsound practice.

Capital Adequacy Requirements

The Federal Reserve Board has established risk-based and leverage capital guidelines for bank holding companies. The minimum ratio of total capital to risk-weighted assets (which are the credit risk equivalents of balance sheet assets and certain off-balance sheet items such as standby letters of credit) is eight percent. At least half of the total capital must be composed of common stockholders' equity (including retained earnings), qualifying non-cumulative perpetual preferred stock (and, for bank holding companies only, a limited amount of qualifying cumulative perpetual preferred stock and a limited amount of trust preferred securities), and minority interests in the equity accounts of consolidated subsidiaries, less goodwill, other disallowed intangibles, and disallowed deferred tax assets, among other items (Tier 1 Capital). The Federal Reserve Board also has adopted a minimum leverage ratio for bank holding companies, requiring Tier 1 Capital of at least three percent of average quarterly total consolidated assets.

The federal banking regulators have also established risk-based and leverage capital guidelines that insured banks and thrifts are required to meet. These regulations are generally similar to those established by the Federal Reserve Board for bank holding companies. The risk-based and leverage capital ratios for the Corporation and its U.S. banking subsidiaries, together with the regulatory minimum ratios and the ratios required for classification as well-capitalized, are provided in the following chart.

	Risk-Based and Leverage Ratios as of December 31, 2009		
	Tier 1 Capital	Total Capital	Leverage Ratio
Northern Trust Corporation	13.4%	15.8%	8.8%
The Northern Trust Company	12.7	16.1	7.7
Northern Trust, N.A.	9.5	11.0	8.2
Northern Trust Bank, FSB	9.8	12.3	8.3
Minimum required ratio	4.0	8.0	3.0
Well capitalized minimum ratio	6.0	10.0	5.0

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The Corporation also is subject to the framework for risk-based capital adequacy, sometimes referred to as Basel II, which was developed by the Basel Committee on Banking Supervision and has been endorsed by the central bank governors and heads of bank supervision of the G10 countries. In December 2007, the U.S. bank regulatory agencies published final rules, effective April 1, 2008, with respect to implementation of the Basel II framework, the latest agreed-version of which was released by the Basel Committee in November 2005.

Under the final Basel II rules, the Corporation is one of a small number of core banking organizations. As a result, the Corporation and its U.S. depository institution subsidiaries will be required to use the advanced approaches under Basel II for calculating risk-based capital related to credit risk and operational risk, instead of the methodology reflected in the regulations effective prior to adoption of Basel II. The new rules also require core banking organizations to have rigorous processes for assessing overall capital adequacy in relation to their total risk profiles, and to publicly disclose certain information about their risk profiles and capital adequacy.

In order to implement the new rules, a core banking organization such as the Corporation was required to (and the Corporation did) adopt an implementation plan by October 1, 2008 and must satisfactorily complete a four-quarter parallel run, in which it calculates capital requirements under both the Basel II rules and regulations effective prior to the adoption of Basel II. The organization must then progress through three transitional periods of at least four quarters each, commencing no later than April 1, 2011. During these transitional periods, the maximum cumulative reduction in capital requirements from those under the regulations effective prior to adoption of Basel II may not exceed 5% for the first period, 10% for the second period and 15% for the third period. Supervisory approval is required to move through these transitional periods and out of the final transitional period. The agencies also have said they will publish a study after the end of the second transitional year that will examine the new framework for any deficiencies.

Non-core U.S. banking organizations that qualify may elect to use the most advanced approaches under Basel II. The agencies in July 2008 also published a notice of proposed rule-making that would provide all non-core banking organizations with the option to adopt a standardized approach under Basel II, which reflects a simpler methodology than the advanced approaches required of core banking organizations.

The Corporation has for several years been preparing to comply with the advanced approaches of the Basel II framework. The Corporation has established a Program Management Office to oversee the implementation of Basel II across the Corporation and its bank subsidiaries. The Corporation is also addressing issues related to implementation timing differences between the U.S. and other jurisdictions, to ensure that the Corporation and the bank subsidiaries comply with regulatory requirements and expectations in all jurisdictions where they operate. The Corporation's U.K., Guernsey and Canadian entities subject to Basel II rules have already adopted or plan to adopt the standardized approach for credit risk and the basic indicator approach for operational risk in calculating minimum regulatory capital requirements.

Preliminary analysis of the Basel II risk-based capital framework suggests that the use of the advanced approaches of the Basel II framework will not result in the Corporation's or the Bank's Tier 1 Capital or total risk-based capital ratios falling below the levels required for categorization as well capitalized.

Prompt Corrective Action

Under the Federal Deposit Insurance Corporation Improvement Act of 1991, the federal banking agencies must take prompt supervisory and regulatory actions against undercapitalized U.S. depository institutions. U.S. depository institutions are assigned one of five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, and are subjected to differential regulation corresponding to the capital category within which the institution falls. Under certain circumstances, a well capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A depository institution is generally prohibited from making capital distributions (including paying dividends) or paying management fees to a holding company if the institution would thereafter be undercapitalized. Adequately capitalized institutions cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC, and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits.

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The federal banking regulatory agencies are permitted or, in certain cases, required to take certain actions with respect to institutions falling within one of the three undercapitalized categories. Depending on the level of an institution's capital, the agency's corrective powers include, among other things:

prohibiting the payment of principal and interest on subordinated debt;

prohibiting any distributions without prior regulatory approval;

placing limits on asset growth and restrictions on activities;

placing additional restrictions on transactions with affiliates;

restricting the interest rate the institution may pay on deposits;

prohibiting the institution from accepting deposits from correspondent banks; and

in the most severe cases, appointing a conservator or receiver for the institution.

A banking institution that is undercapitalized is required to submit a capital restoration plan, and such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy. Failure to meet capital guidelines could subject the bank to a variety of enforcement remedies by federal bank regulatory agencies, including termination of deposit insurance by the FDIC, and restrictions on certain business activities. As of December 31, 2009, the Corporation and all of its U.S. banking subsidiaries exceeded the required capital ratios for classification as well capitalized.

In the release adopting final Basel II rules, the federal banking agencies said that these prompt corrective action rules will not be affected by the Basel II process and that core banking organizations will be required, during the transitional period, to use the lowest capital calculation in each category that results from the application of both the new and the old rules.

Enforcement Powers of the Federal Banking Agencies

The federal banking agencies have broad enforcement powers, including the power to issue cease and desist orders, impose substantial fines and other civil and criminal penalties, terminate deposit insurance and appoint a conservator or receiver. Failure to comply with applicable laws, regulations, and supervisory agreements could subject the Corporation and its banking subsidiaries, as well as officers, directors, and other institution-affiliated parties of these organizations, to administrative sanctions and potentially substantial civil money penalties. In addition to the grounds discussed under Prompt Corrective Action, the appropriate federal banking agency may appoint the FDIC as conservator or receiver for a banking institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist, including, without limitation, the fact that the banking institution:

is undercapitalized and has no reasonable prospect of becoming adequately capitalized;

fails to become adequately capitalized when required to do so;

fails to submit a timely and acceptable capital restoration plan; or

materially fails to implement an accepted capital restoration plan.

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Restrictions on Transactions with Affiliates and Insiders

The Corporation's bank subsidiaries are subject to restrictions under federal law, including Regulation W of the Federal Reserve Board, which limit certain transactions with the Corporation and its non-banking subsidiaries, including loans, other extensions of credit, investments or asset purchases. Such transactions by a banking subsidiary with any one affiliate are limited in amount to 10 percent of the bank's capital and surplus and, with all affiliates together, to an aggregate of 20 percent of the bank's capital and surplus. Furthermore, such loans and extensions of credit, as well as certain other transactions, are required to be secured in specified amounts. These and certain other transactions with the Corporation or any of its subsidiaries, including any payment of money by a banking subsidiary, must be on terms and conditions that are, or in good faith would be, offered to nonaffiliated companies.

The restrictions on loans to directors, executive officers, principal stockholders and their related interests (collectively referred to herein as insiders) contained in the Federal Reserve Act and Regulation O apply to all federally insured institutions. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions. Regulation O institutions are not subject to the prohibitions of the Sarbanes-Oxley Act of 2002 on certain loans to insiders.

Anti-Money Laundering and Anti-Terrorism Legislation

The USA PATRIOT Act of 2001 includes the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, which contains anti-money laundering measures affecting insured depository institutions, broker-dealers and certain other financial institutions. These measures are in addition to requirements contained in the Bank Secrecy Act. The Money Laundering Abatement and Anti-Terrorist Financing Act requires U.S. financial institutions to adopt policies and procedures to combat money laundering and terrorist financing and grants the Secretary of the Treasury and bank regulatory agencies broad authority to establish regulations and to impose requirements and restrictions on financial institutions' operations as well as sanctions for failure to meet regulatory requirements. The Corporation has established policies and procedures to comply with these laws and the related regulations.

Deposit Insurance

Under the FDIC's risk-based insurance assessment system, as amended by the Federal Deposit Insurance Reform Act and implementing regulations effective for 2009, each insured bank is required to pay deposit insurance premium assessments to the FDIC. Each insured bank is placed in one of four risk categories based on its level of capital, supervisory ratings and other risk measures, including debt ratings for large institutions, and its insurance assessment rate is determined by its risk category.

On February 27, 2009, the FDIC issued a final rule that revises the way the FDIC calculates federal deposit insurance assessment rates beginning in the second quarter of 2009. Under the new rule, the FDIC first establishes an institution's initial base assessment rate. This initial base assessment rate will range, depending on the risk category of the institution, from 12 to 45 basis points. The FDIC will then adjust the initial base assessment (higher or lower) to obtain the total base assessment rate. The adjustments to the initial base assessment rate will be based upon an institution's levels of unsecured debt, secured liabilities, and brokered deposits. The total base assessment rate will range from 7 to 77.5 basis points of the institution's deposits.

On May 22, 2009, the FDIC adopted a final rule levying a five basis point special assessment on each insured depository institution's assets minus its Tier 1 capital as of June 30, 2009. We recorded an expense of \$20.2 million during the quarter ended June 30, 2009 to reflect the special assessment.

On November 12, 2009, the FDIC issued a final rule pursuant to which all insured depository institutions will be required to prepay their estimated assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012 on December 30, 2009. Under the rule, the assessment rate for the fourth quarter of 2009 and for 2010 will be based on each institution's total base assessment rate for the third quarter of 2009, modified to assume that the assessment rate in effect on September 30, 2009 had been in effect for the entire third quarter, and the assessment rate for 2011 and 2012 will be equal to the modified third quarter assessment rate plus an additional 3 basis points. In addition, each institution's base assessment rate for each period will be calculated using its third quarter 2009 assessment base, adjusted quarterly for an estimated 5% annual growth rate in the assessment base through the end of 2012. The amount of our prepayment on December 30, 2009 was \$104.9 million. This amount is amortized over the three year assessment period and will be adjusted for actual quarterly assessments for that period.

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In addition to its insurance assessment, each insured bank is subject in 2010 to quarterly debt service assessments in connection with bonds issued by a government corporation that financed the federal savings and loans bailout. The first quarter 2010 debt service assessment is 0.0106%.

FDIC Temporary Liquidity Guarantee Program

The Bank, Northern Trust, N.A., and Northern Trust Bank, FSB participated in the FDIC's Transaction Account Guarantee Program under the Temporary Liquidity Guarantee Program. The Transaction Account Guarantee Program provides for a temporary full guarantee by the FDIC for funds held at depository institutions in non-interest bearing transaction accounts (generally demand deposit checking accounts and NOW accounts) above the existing \$250,000 deposit insurance limit. This coverage became effective on October 14, 2008 and was scheduled to terminate on December 31, 2009. Depository institutions that elected to participate are subject to an annualized assessment of 10 cents per \$100 of deposits in such non-interest bearing transaction accounts (above the existing deposit insurance limit of \$250,000) that began on November 13, 2008. This assessment is in addition to the deposit insurance assessments described above under Deposit Insurance.

The FDIC issued a final rule on August 27, 2009 that extended the Transaction Account Guarantee Program coverage until June 30, 2010 for depository institutions that did not opt-out prior to November 2, 2009. The final rule also provided for a modified increased fee structure effective after December 31, 2009 for banks that decide to continue to participate in such program during the six month extension period. The Bank, Northern Trust, N.A., and Northern Trust Bank, FSB, elected to continue in the program until June 30, 2010.

Control Acquisitions

The Change in Bank Control Act prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Corporation, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Corporation. In addition, any company is required to obtain the approval of the Federal Reserve Board under the BHCA before acquiring 25% (5% in the case of an acquirer that is a bank holding company) or more of the outstanding common stock of the Corporation, or otherwise obtaining control or a controlling influence over the Corporation or its banking subsidiaries.

Interstate Banking and Branching

The Riegle-Neal Act enacted in 1994 permits an adequately capitalized and adequately managed bank holding company, with Federal Reserve Board approval, to acquire banking institutions located in states other than the bank holding company's home state without regard to whether the transaction is prohibited under state law. In addition, national banks and state banks with different home states are permitted to merge across state lines, with the approval of the appropriate federal banking agency, unless the home state of a participating banking institution passed legislation prior to June 1, 1997 that expressly prohibits interstate mergers. De novo interstate branching is permitted if the laws of the host state so authorize. Thrift institutions (like Northern Trust Bank, FSB) may freely engage in de novo branching on an interstate basis. Moreover, national banks, such as Northern Trust, NA, may provide trust services in any state to the same extent as a trust company chartered by that state.

Community Reinvestment Act

The Corporation's banking subsidiaries are subject to the Community Reinvestment Act (CRA). The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their service areas, including low and moderate income neighborhoods, consistent with the safe and sound operations of the banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 requires federal banking agencies to make public a rating of a bank's performance under the CRA. In the case of a bank holding company, the CRA performance record of its bank subsidiaries is reviewed by federal banking agencies in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or thrift or to merge with any other bank holding company. An unsatisfactory record can substantially delay or block the transaction. Each of the Corporation's banking subsidiaries, including the Bank, received at least a satisfactory CRA rating from its regulator in its most recent CRA examination.

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In addition, the GLBA requires the disclosure of agreements reached with community groups that relate to the CRA, and contains various other provisions designed to improve the delivery of financial services to consumers while maintaining an appropriate level of safety in the financial services industry.

Privacy and Security

The GLBA also establishes a minimum federal standard of financial privacy by, among other provisions, requiring banks to adopt and disclose privacy policies with respect to consumer information and setting forth certain rules with respect to the disclosure to third parties of consumer information. The Corporation has adopted and disseminated its privacy policies pursuant to the GLBA. Regulations adopted under the GLBA set standards for protecting the security, confidentiality and integrity of customer information, and require notice to regulators, and in some cases, to customers, in the event of security breaches. A number of states have adopted their own statutes requiring notification of security breaches.

Consumer Laws and Regulations

In addition to the laws and regulations discussed above, the Corporation's banking subsidiaries are also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. While the following list is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003, and the Real Estate Settlement Procedures Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers and monitor account activity when taking deposits, making loans to or engaging in other types of transactions with such customers. Failure to comply with these laws and regulations could lead to substantial penalties, operating restrictions and reputational damage to the financial institution.

Future Legislation

Various legislation is from time to time introduced in Congress and state legislatures with respect to the regulation of financial institutions, and legislation designed to fundamentally restructure financial regulation has been introduced as one response to the recent global credit and liquidity crisis. For example, the U.S. House of Representatives has passed legislation that would, among other things, create a Consumer Financial Protection Agency that would have broad powers to regulate consumer financial services and products, create a Financial Stability Oversight Council with regulatory authority over certain financial companies and activities, and would give shareholders a say on pay regarding executive compensation. The Federal Reserve also issued proposed guidance on incentive compensation to ensure that banking organizations incentive compensation policies do not undermine the safety and soundness of their organizations. Such legislation may change the banking statutes and the operating environment of the Corporation and its banking subsidiaries in substantial and unpredictable ways. The Corporation cannot determine the ultimate effect that potential legislation, or implementing regulations, if enacted, would have upon the financial condition or results of operations of the Corporation or its banking subsidiaries.

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STAFF

Northern Trust employed 12,400 full-time equivalent officers and staff members as of December 31, 2009.

STATISTICAL DISCLOSURES

The following statistical disclosures, included in the Corporation's Annual Report to Stockholders for the year ended December 31, 2009, are incorporated herein by reference.

Schedule	2009 Annual Report Page(s)
Ratios	22
Non-U.S. Outstandings	56-57
Nonperforming Assets and 90 Day Past Due Loans	57-58
Average Statement of Condition with Analysis of Net Interest Income	118-119

Additional statistical information on a consolidated basis is set forth below. Certain reclassifications have been made to prior periods' financial information to conform to the current year's presentation.

Table of Contents**Remaining Maturity and Average Yield of Securities Held to Maturity and Available for Sale**

(Yield calculated on amortized cost and presented on a taxable equivalent basis giving effect to the applicable federal and state tax rates)

(\$ in Millions)	December 31, 2009									
	One Year or Less		One to Five		Five to Ten Years		Over Ten		Average	Maturity
	Book	Yield	Book	Yield	Book	Yield	Book	Yield		
Securities Held to Maturity										
Obligations of States and Political Subdivisions	\$ 40.2	6.05%	\$ 249.7	6.70%	\$ 381.0	6.84%	\$ 21.7	7.54%		65 mos.
Government Sponsored Agency	70.2	4.02	29.7	4.12	10.6	4.14	4.1	4.14		35 mos.
Other Fixed	74.1	3.04	146.4	5.01	95.0	4.86	37.3	4.20		71 mos.
Floating	.1	5.73	1.3	1.47						31 mos.
Total Securities Held to Maturity	\$ 184.6	4.07%	\$ 427.1	5.92%	\$ 486.6	6.40%	\$ 63.1	5.34%		64 mos.
Securities Available for Sale										
U.S. Government	\$ 74.0	.30%	\$	%	\$	%	\$	%		3 mos.
Obligations of States and Political Subdivisions	11.8	1.25	21.5	5.82	13.1	6.77	.6	7.58		35 mos.
Government Sponsored Agency	5,610.4	.95	6,178.2	1.11	359.3	2.12	177.5	1.72		19 mos.
Asset-Backed Fixed	81.1	4.05	38.0	5.65	11.9	5.62	5.8	5.65		20 mos.
Asset-Backed Floating	539.5	.52	797.6	.52	13.8	.39	7.6	.39		18 mos.
Auction Rate Securities	.2	2.19	427.5	1.31						44 mos.
Other Fixed	81.0	.44	124.0	2.88			42.6	6.00		49 mos.
Floating	673.0	.74	2,025.1	.71			147.0			29 mos.
Total Securities Available for Sale	\$ 7,071.0	.92%	\$ 9,611.9	1.04%	\$ 398.1	2.32%	\$ 381.1	1.58%		22 mos.

(\$ in Millions)	December 31, 2008									
	One Year or Less		One to Five		Five to Ten Years		Over Ten		Average	Maturity
	Book	Yield	Book	Yield	Book	Yield	Book	Yield		
Securities Held to Maturity										
Obligations of States and Political Subdivisions	\$ 22.6	6.84%	\$ 229.3	6.53%	\$ 462.7	6.89%	\$ 76.6	7.31%		76 mos.
Government Sponsored Agency	17.0	4.88	35.7	4.87	1.6	5.08	.7	4.91		21 mos.
Other Fixed	56.6	4.20	128.2	5.01	87.8	4.80	35.1	3.77		31 mos.
Floating	.2	6.18								8 mos.
Total Securities Held to Maturity	\$ 96.4	4.94%	\$ 393.2	5.89%	\$ 552.1	6.55%	\$ 112.4	6.19%		62 mos.
Securities Available for Sale										
U.S. Government	\$ 19.9	2.18%	\$	%	\$	%	\$	%		1 mo.
Obligations of States and Political Subdivisions			17.0	6.57	14.6	6.73				55 mos.
Government Sponsored Agency	7,596.5	1.83	3,116.7	2.18	277.0	3.68	271.2	3.48		12 mos.
Asset-Backed Fixed	44.5	5.36	54.7	5.49	17.3	5.39	26.4	5.53		20 mos.
Asset-Backed Floating	531.9	2.02	743.6	1.55	62.4	.63	91.8	.62		19 mos.
Auction Rate Securities			448.1	2.48			5.0	3.66		45 mos.
Other Fixed	164.4	.62					27.5	6.00		17 mos.
Floating	74.6	3.43	665.2	2.48			144.1	.59		38 mos.
Total Securities Available for Sale	\$ 8,431.8	1.85%	\$ 5,045.3	2.21%	\$ 371.3	3.37%	\$ 566.0	2.50%		14 mos.

Table of Contents**Securities Held to Maturity and Available for Sale**

(In Millions)	2009	2008	December 31 2007	2006	2005
Securities Held to Maturity					
Obligations of States and Political Subdivisions	\$ 692.6	\$ 791.2	\$ 848.8	\$ 863.8	\$ 885.1
Government Sponsored Agency	114.6	55.0	13.3	14.6	9.9
Other	354.2	307.9	282.7	228.6	240.5
Total Securities Held to Maturity	\$ 1,161.4	\$ 1,154.1	\$ 1,144.8	\$ 1,107.0	\$ 1,135.5
Securities Available for Sale					
U.S. Government	\$ 74.0	\$ 19.9	\$ 5.1	\$ 1.0	\$ 17.9
Obligations of States and Political Subdivisions	47.0	31.6	32.1	31.7	32.4
Government Sponsored Agency	12,325.4	11,261.4	5,466.5	10,245.1	8,801.0
Asset-Backed	1,495.3	1,572.6	1,902.9	767.4	950.9
Auction Rate	427.7	453.1			
Other	3,092.7	1,075.8	333.7	204.4	168.5
Total Securities Available for Sale	\$ 17,462.1	\$ 14,414.4	\$ 7,740.3	\$ 11,249.6	\$ 9,970.7
Average Total Securities	\$ 17,357.8	\$ 12,287.0	\$ 12,459.4	\$ 11,803.1	\$ 9,898.4
Total Securities at Year-End	\$ 18,633.4	\$ 15,570.8	\$ 8,888.2	\$ 12,365.2	\$ 11,109.0

Table of Contents**Loans and Leases by Type**

(In Millions)	December 31				
	2009	2008	2007	2006	2005
U.S.					
Residential Real Estate	\$ 10,807.7	\$ 10,381.4	\$ 9,171.0	\$ 8,674.4	\$ 8,340.5
Commercial	6,312.1	8,253.6	5,556.4	4,679.1	3,545.3
Commercial Real Estate	3,213.2	3,014.0	2,350.3	1,836.3	1,524.3
Personal	4,965.8	4,766.7	3,850.8	3,415.8	2,961.3
Other	774.0	1,404.2	969.1	979.2	797.8
Lease Financing	1,004.4	1,143.8	1,168.4	1,291.6	1,194.1
Total U.S.	27,077.2	28,963.7	23,066.0	20,876.4	18,363.3
Non-U.S.	728.5	1,791.7	2,274.1	1,733.3	1,605.2
Total Loans and Leases	\$ 27,805.7	\$ 30,755.4	\$ 25,340.1	\$ 22,609.7	\$ 19,968.5

Remaining Maturity of Selected Loans and Leases

(In Millions)	December 31, 2009			
	Total	One Year or Less	One to Five Years	Over Five Years
U.S. (Excluding Residential Real Estate and Personal Loans)				
Commercial	\$ 6,312.1	\$ 4,026.6	\$ 1,476.6	\$ 808.9
Commercial Real Estate	3,213.2	1,080.2	1,587.4	545.6
Other	774.0	756.4	17.6	
Lease Financing	1,004.4	39.0	141.3	824.1
Total U.S.	11,303.7	5,902.2	3,222.9	2,178.6
Non-U.S.	728.5	716.4	11.9	.2
Total Selected Loans and Leases	12,032.2	6,618.6	3,234.8	2,178.8
Interest Rate Sensitivity of Loans and Leases				
Fixed Rate	\$ 8,217.5	\$ 4,844.5	\$ 1,929.1	\$ 1,443.9
Variable Rate	3,814.7	1,774.1	1,305.7	734.9
Total	\$ 12,032.2	\$ 6,618.6	\$ 3,234.8	\$ 2,178.8

Table of Contents**Average Deposits by Type**

(In Millions)	2009	2008	2007	2006	2005
U.S. Offices					
Demand and Noninterest-Bearing					
Individuals, Partnerships and Corporations	\$ 778.6	\$ 912.5	\$ 864.4	\$ 899.5	\$ 902.3
Correspondent Banks	80.5	44.2	30.9	29.0	42.0
Other Noninterest-Bearing	7,589.7	4,493.6	3,789.3	3,682.0	3,764.6
Total Demand and Noninterest-Bearing	8,448.8	5,450.3	4,684.6	4,610.5	4,708.9
Interest-Bearing					
Savings and Money Market	11,162.4	7,786.5	7,016.4	6,602.4	7,238.9
Savings Certificates less than \$100,000	478.6	454.8	483.8	486.4	500.0
Savings Certificates \$100,000 and more	2,298.7	1,669.5	1,536.0	1,207.3	1,010.7
Other	1,101.8	615.3	518.1	419.8	379.5
Total Interest-Bearing	15,041.5	10,526.1	9,554.3	8,715.9	9,129.1
Total U.S. Offices	23,490.3	15,976.4	14,238.9	13,326.4	13,838.0
Non-U.S. Offices					
Non Interest-Bearing	2,578.1	3,364.5	2,963.8	1,778.7	1,138.4
Interest-Bearing	27,157.6	35,958.2	28,587.8	21,853.1	17,125.4
Total Non-U.S. Offices	29,735.7	39,322.7	31,551.6	23,631.8	18,263.8
Total Deposits	\$ 53,226.0	\$ 55,299.1	\$ 45,790.5	\$ 36,958.2	\$ 32,101.8

Average Rates Paid on Interest-Related Deposits by Type

	2009	2008	2007	2006	2005
Interest-Related Deposits U.S. Offices					
Savings and Money Market	.48%	1.77%	3.37%	2.85%	1.70%
Savings Certificates less than \$100,000	2.05	3.21	4.42	3.92	2.91
Savings Certificates \$100,000 and more	2.05	3.44	4.83	4.33	3.09
Other Time	1.48	3.28	4.74	4.28	2.78
Total U.S. Offices Interest-Related Deposits	.84	2.19	3.73	3.18	1.96
Total Non-U.S. Offices Interest-Related Deposits	.29	2.46	4.22	3.69	2.62
Total Interest-Related Deposits	.49%	2.40%	4.10%	3.55%	2.39%

Remaining Maturity of Time Deposits \$100,000 or More

	December 31, 2009	December 31, 2008
(In Millions)	U.S. Offices	U.S. Offices

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	Certificates of Deposit	Other Time	Non-U.S. Offices	Certificates of Deposit	Other Time	Non-U.S. Offices
3 Months or Less	\$ 1,393.2	\$ 705.9	\$ 6,834.2	\$ 1,380.9	\$ 730.5	\$ 8,739.7
Over 3 through 6 Months	607.3		44.6	666.0		87.8
Over 6 through 12 Months	1,073.0		42.6	550.8		25.2
Over 12 Months	449.9		8.9	314.6		11.9
Total	\$ 3,523.4	\$ 705.9	\$ 6,930.3	\$ 2,912.3	\$ 730.5	\$ 8,864.6

Table of Contents**Purchased Funds****Federal Funds Purchased****(Overnight Borrowings)**

(\$ in Millions)	2009	2008	2007
Balance on December 31	\$ 6,649.8	\$ 1,783.5	\$ 1,465.8
Highest Month-End Balance	7,735.6	8,473.7	2,131.7
Year Average Balance	4,902.0	2,598.1	1,660.6
Average Rate	.12%	1.24%	4.81%
Average Rate at Year-End	.02%	.03%	2.15%

Securities Sold under Agreements to Repurchase

(\$ in Millions)	2009	2008	2007
Balance on December 31	\$ 1,037.5	\$ 1,529.1	\$ 1,763.6
Highest Month-End Balance	1,037.5	2,635.7	2,845.1
Year Average Balance	737.7	1,271.5	1,620.2
Average Rate	.16%	1.79%	4.94%
Average Rate at Year-End	.03%	.07%	2.48%

Other Borrowings**(Includes Treasury Investment Program Balances, Term Federal Funds Purchased and Other Short-Term Borrowings)**

(\$ in Millions)	2009	2008	2007
Balance on December 31	\$ 2,078.3	\$ 736.7	\$ 2,108.5
Highest Month-End Balance	2,202.6	4,229.6	6,608.6
Year Average Balance	1,109.0	739.4	1,040.7
Average Rate	.38%	3.04%	3.03%
Average Rate at Year-End	.09%	.06%	2.72%

Total Purchased Funds

(\$ in Millions)	2009	2008	2007
Balance on December 31	\$ 9,765.6	\$ 4,049.3	\$ 5,337.9
Year Average Balance	6,748.7	4,609.0	4,321.5
Average Rate	.16%	1.68%	4.22%

Table of Contents**Changes in Net Interest Income**

(Interest on a Taxable Equivalent Basis)	2009/2008 Change Due To			2008/2007 Change Due To		
	Average Balance	Rate	Total	Average Balance	Rate	Total
(In Millions)						
Increase (Decrease) in Interest Income						
Money Market Assets						
Federal Funds Sold and Resell Agreements	\$ (28.3)	\$ (8.2)	\$ (36.5)	\$ 12.2	\$ (42.6)	\$ (30.4)
Time Deposits with Banks	(252.2)	(426.4)	(678.6)	215.0	(103.5)	111.5
Other Interest-Bearing Securities	20.0	(17.7)	2.3	83.4	(75.3)	8.1
U.S. Government	.5	(.7)	(.2)	(5.7)	(.7)	