NORTHERN TRUST CORP
Form 10-Q
August 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2013

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)

Delaware	**36-2723087**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
50 South LaSalle Street	
Chicago, Illinois	**60603**
(Address of principal executive offices)	**(Zip Code)**

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

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No ¨

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 large accelerated filer , accelerated filer , and small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

240,137,628 Shares $1.66 2/3 Par Value

(Shares of Common Stock Outstanding on June 30, 2013)

CONSOLIDATED FINANCIAL HIGHLIGHTS

(UNAUDITED)

FOR THE PERIOD ($ In Millions)	Three Months Ended June 30, 2013	2012	% Change (**)	Six Months Ended June 30, 2013	2012	% Change (**)
Noninterest Income						
Trust, Investment and Other Servicing Fees	**$ 657.3**	$ 605.8	8%	**$ 1,288.0**	$ 1,181.0	9%
Foreign Exchange Trading Income	**71.3**	59.4	20	**130.8**	121.3	8
Treasury Management Fees	**17.1**	17.3	(1)	**33.9**	34.7	(2)
Security Commissions and Trading Income	**18.3**	17.4	5	**36.6**	35.7	2
Other Operating Income	**36.3**	34.0	6	**61.1**	72.6	(16)
Investment Security Gains (Losses), net	**0.1**	0.5	(93)	**0.3**	(1.9)	(113)
Total Noninterest Income	**800.4**	734.4	9	**1,550.7**	1,443.4	7
Net Interest Income	**220.1**	254.1	(13)	**446.2**	510.5	(13)
Provision for Credit Losses	**5.0**	5.0		**10.0**	10.0	
Net Interest Income after Provision for Credit Losses	**215.1**	249.1	(14)	**436.2**	500.5	(13)
Noninterest Expense						
Compensation	**326.9**	313.8	4	**647.2**	635.4	2
Employee Benefits	**64.2**	64.9	(1)	**127.5**	133.0	(4)
Outside Services	**136.2**	133.7	2	**266.1**	261.9	2
Equipment and Software	**92.1**	99.4	(7)	**183.5**	190.2	(4)
Occupancy	**43.5**	42.6	2	**86.7**	84.4	3
Other Operating Expense	**66.8**	62.9	6	**147.6**	136.0	9
Total Noninterest Expense	**729.7**	717.3	2	**1,458.6**	1,440.9	1
Income before Income Taxes	**285.8**	266.2	7	**528.3**	503.0	5
Provision for Income Taxes	**94.7**	86.6	9	**173.2**	162.2	7
Net Income	**$ 191.1**	$ 179.6	6%	**$ 355.1**	$ 340.8	4%
Average Total Assets	**$ 92,849.6**	$ 92,410.6	0%	**$ 92,213.0**	$ 93,769.3	(2)%
PER COMMON SHARE						
Net Income Basic	**$ 0.78**	$ 0.73	7%	**$ 1.46**	$ 1.39	5%
Diluted	**0.78**	0.73	7	**1.45**	1.39	4
Cash Dividends Declared Per Common Share (*)	**0.31**	*	N/M	**0.61**	0.58	5
Book Value End of Period (EOP)	**32.17**	30.73	5	**32.17**	30.73	5
Market Price EOP	**57.90**	46.02	26	**57.90**	46.02	26
RATIOS						
Return on Average Common Equity	**10.02%**	9.91%		**9.43%**	9.48%	
Return on Average Assets	**0.83**	0.78		**0.78**	0.73	
Dividend Payout Ratio	**39.74**	*		**41.07**	41.7	
Average Stockholders Equity to Average Assets	**8.24**	7.9		**8.24**	7.7	

PERIOD END ($ In Millions)	June 30, 2013	December 31, 2012	% Change (**)
Assets	**$ 97,236.0**	$ 97,463.8	(0)%
Earning Assets	**84,623.9**	87,472.7	(3)
Deposits	**76,534.9**	81,407.8	(6)
Stockholders Equity	**7,724.6**	7,527.0	3

PERIOD END CLIENT ASSETS ($ In Billions)				
Assets Under Custody		**$ 4,991.5**	$ 4,804.9	4%
Assets Under Management		**$ 803.0**	758.9	6
RATIOS				
Tier 1 Capital to Risk-Weighted Assets	EOP	**13.1%**	12.8%	
Total Capital to Risk-Weighted Assets	EOP	**14.4**	14.3	
Tier 1 Leverage Ratio		**8.4**	8.2	

(*) Cash dividends of $0.58 per common share were declared in the first quarter of 2012, comprised of a $0.28 per common share dividend declared January 17, 2012, paid April 2, 2012, and a $0.30 per common share dividend declared March 14, 2012, paid July 2, 2012.

(**) Percentage calculations are based on actual balances rather than the rounded amounts presented in the Consolidated Financial Highlights.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

SECOND QUARTER CONSOLIDATED RESULTS OF OPERATIONS

General

Northern Trust Corporation (the Corporation), together with its subsidiaries, is a leading provider of asset servicing, fund administration, asset management, fiduciary and banking solutions for corporations, institutions, families, and individuals worldwide. Northern Trust focuses on servicing and managing client assets through its two primary business units, Personal Financial Services (PFS) and Corporate & Institutional Services (C&IS). Asset management and related services are provided to PFS and C&IS clients primarily by a third business unit, Northern Trust Global Investments (NTGI). Northern Trust emphasizes quality through a high level of service complemented by the effective use of technology, delivered by a fourth business unit, Operations & Technology (O&T). Except where the context otherwise requires, the term Northern Trust refers to Northern Trust Corporation and its subsidiaries on a consolidated basis.

The following should be read in conjunction with the consolidated financial statements and related footnotes included in this report. Investors should also read the section entitled Factors Affecting Future Results.

Overview

Net income per common share in the second quarter of 2013 was $0.78 compared to $0.73 per common share in the second quarter of 2012. Net income for the current quarter was $191.1 million compared to $179.6 million in the prior year quarter.

The performance in the current quarter produced an annualized return on average common equity of 10.0% as compared to 9.9% in the prior year quarter. The annualized return on average assets was 0.8% in both the current quarter and the prior year quarter.

Consolidated revenue of $1.02 billion in the current quarter was up $32.0 million, or 3%, from $988.5 million in the prior year quarter. Noninterest income, which represented 78% of revenue, increased $66.0 million, or 9%, to $800.4 million from the prior year quarter s $734.4 million, primarily reflecting higher trust, investment and other servicing fees and increased foreign exchange trading income.

Net interest income for the quarter on a fully taxable equivalent (FTE) basis decreased $36.3 million, or 14%, to $228.0 million as compared to $264.3 million in the prior year quarter, primarily reflecting a continued decline in the net interest margin.

Noninterest expense totaled $729.7 million in the current quarter, up $12.4 million, or 2%, from $717.3 million in the prior year quarter.

Noninterest Income

The components of noninterest income are provided below.

Noninterest Income ($ In Millions)	Three Months Ended June 30, 2013	2012	Change	
Trust, Investment and Other Servicing Fees	**$ 657.3**	$ 605.8	$ 51.5	8%
Foreign Exchange Trading Income	**71.3**	59.4	11.9	20
Treasury Management Fees	**17.1**	17.3	(0.2)	(1)
Security Commissions and Trading Income	**18.3**	17.4	0.9	5
Other Operating Income	**36.3**	34.0	2.3	6
Investment Security Gains (Losses), net	**0.1**	0.5	(0.4)	(93)
Total Noninterest Income	**$ 800.4**	$ 734.4	$ 66.0	9%

Trust, investment and other servicing fees are based generally on the market value of assets held in custody, managed and serviced; the volume of transactions; securities lending volume and spreads; and fees for other services rendered. Certain market value fee calculations are performed on a monthly or quarterly basis and can be based on the beginning, ending or daily average value of the client portfolio. Certain investment management fee arrangements also may provide for performance fees based on client portfolio returns that exceed predetermined levels.

The following tables present Northern Trust s assets under custody and assets under management by business segment.

Assets Under Custody ($ In Billions)	June 30, 2013	March 31, 2013	June 30, 2012	Change Q2-13/ Q1-13	Change Q2-13/ Q2-12
Corporate and Institutional	**$ 4,538.9**	$ 4,569.1	$ 4,152.7	(1)%	9 %
Personal	**452.6**	455.3	411.2	(1)	10
Total Assets Under Custody	**$ 4,991.5**	$ 5,024.4	$ 4,563.9	(1)%	9 %

Assets Under Management ($ In Billions)	June 30, 2013	March 31, 2013	June 30, 2012	Change Q2-13/ Q1-13	Change Q2-13/ Q2-12
Corporate and Institutional	**$ 600.5**	$ 604.2	$ 528.4	(1)%	14 %
Personal	**202.5**	206.0	175.9	(2)	15
Total Assets Under Management	**$ 803.0**	$ 810.2	$ 704.3	(1)%	14 %

C&IS assets under custody totaled $4.5 trillion, up 9% from the prior year quarter, and included $2.8 trillion of global custody assets, 10% higher compared to the prior year quarter. C&IS assets under management included $97.8 billion of securities lending collateral, a 4% increase from the prior year quarter.

Changes in assets under custody and under management are in comparison to the twelve month increase in the S&P 500 index and EAFE index (USD) of 17.9% and 15.1%, respectively.

Noninterest Income (continued)

Custodied and managed assets were invested as follows at June 30:

	2013			2012		
	C&IS	PFS	Consolidated	C&IS	PFS	Consolidated
Assets Under Custody						
Equities	**46%**	**52%**	**46%**	43%	46%	43%
Fixed Income Securities	**35**	**24**	**34**	37	26	36
Cash and Other Assets	**19**	**24**	**20**	20	28	21
Assets Under Management						
Equities	**54%**	**43%**	**51%**	50%	36%	47%
Fixed Income Securities	**14**	**29**	**18**	16	33	20
Cash and Other Assets	**32**	**28**	**31**	34	31	33

Trust, investment and other servicing fees in C&IS increased $25.8 million, or 8%, to $364.2 million in the current quarter from the prior year quarter s $338.4 million.

C&IS Trust, Investment and Other Servicing Fees	Three Months Ended June 30,			
($ In Millions)	2013	2012	Change	
Custody and Fund Administration	**$ 234.4**	$ 215.0	$ 19.4	9%
Investment Management	**73.9**	71.8	2.1	3
Securities Lending	**31.1**	30.7	0.4	1
Other	**24.8**	20.9	3.9	18
Total	**$ 364.2**	$ 338.4	$ 25.8	8%

Custody and fund administration fees, the largest component of C&IS fees, increased 9%, primarily reflecting favorable equity markets and new business. C&IS investment management fees increased 3%, reflecting the favorable impact of markets and new business, partially offset by higher waived fees in money market mutual funds. Money market mutual fund fee waivers in C&IS, attributable to persistent low short-term interest rates, totaled $9.8 million in the current quarter, compared to waived fees of $7.0 million in the prior year quarter. Securities lending revenue increased slightly, reflecting higher loan volumes, partially offset by lower spreads in the current quarter.

Trust, investment and other servicing fees in PFS totaled $293.1 million in the current quarter, increasing $25.7 million, or 10%, from $267.4 million in the prior year quarter. The increased fees in the current quarter are primarily attributable to the favorable impact of equity markets and new business, partially offset by higher waived fees in money market mutual funds. Money market mutual fund fee waivers in PFS totaled $12.9 million in the current quarter compared with $10.0 million in the prior year quarter.

Foreign exchange trading income totaled $71.3 million, up $11.9 million, or 20%, compared with $59.4 million in the prior year quarter. The current quarter increase is attributable to higher currency market volatility and higher trading volumes compared to the prior year quarter.

Noninterest Income (continued)

Other operating income totaled $36.3 million in the current quarter, up $2.3 million, or 6%, from $34.0 million in the prior year quarter, reflecting increases in miscellaneous other income categories. The components of other operating income are provided below.

Other Operating Income ($ In Millions)	Three Months Ended June 30, 2013	2012	Change	
Loan Service Fees	**$ 14.7**	$ 14.8	$ (0.1)	%
Banking Service Fees	**13.0**	13.7	(0.7)	(6)
Other Income	**8.6**	5.5	3.1	54
Total Other Operating Income	**$ 36.3**	$ 34.0	$ 2.3	6%

Net Interest Income

Net interest income for the quarter on an FTE basis totaled $228.0 million, down $36.3 million, or 14%, from $264.3 million in the prior year quarter. The decrease reflects a continued decline in the net interest margin to 1.10% from 1.28% in the prior year quarter. The current quarter decline in the net interest margin primarily reflects lower yields on earning assets, partially offset by a lower cost of interest-related funds due to lower short-term interest rates. Average earning assets for the quarter were $83.1 billion, relatively unchanged from $83.2 billion in the prior year quarter. Net interest income is defined as the total of interest income and amortized fees on earning assets, less interest expense on deposits and borrowed funds, adjusted for the impact of interest-related hedging activity. Net interest income stated on an FTE basis is a non-generally accepted accounting principle (GAAP) financial measure that facilitates the analysis of asset yields. When adjusted to an FTE basis, yields on taxable, nontaxable, and partially taxable assets are comparable; however, the adjustment to an FTE basis has no impact on net income. A reconciliation of net interest income on a GAAP basis to net interest income on an FTE basis is provided on page 21.

Federal Reserve deposits and other interest-bearing assets averaged $5.3 billion in the current quarter as compared to $3.6 billion in the prior year quarter, an increase of $1.7 billion, or 45%.

Average securities, inclusive of Federal Reserve and Federal Home Loan Bank stock and certain community development investments, which are classified in other assets in the consolidated balance sheet, were $30.7 billion, down $716.1 million, or 2%, from $31.5 billion in the prior year quarter.

Loans and leases averaged $28.6 billion in the current quarter, down $455.7 million, or 2%, from $29.1 billion in the prior year quarter. Commercial and institutional loans averaged $7.5 billion in the current quarter, up $186.7 million, or 3%, from the prior year quarter s average of $7.3 billion. Residential real estate loans averaged $10.2 billion in the current quarter, down $379.1 million, or 4%, from the prior year quarter s average of $10.6 billion.

Net Interest Income (continued)

Northern Trust utilizes a diverse mix of funding sources. Total interest-bearing deposits averaged $55.9 billion in the current quarter, compared to $53.6 billion in the prior year quarter, an increase of $2.3 billion, or 4%. Other interest-bearing funds averaged $8.5 billion in the current quarter, an increase of $295.4 million, or 4%, from $8.2 billion in the prior year quarter, primarily attributable to an increase in short-term borrowings and senior notes, partially offset by lower levels of long-term debt. The balances within short-term borrowing classifications vary based on funding requirements and strategies, interest rate levels, changes in the volume of lower-cost deposit sources, and the availability of collateral to secure these borrowings.

Average net noninterest-related funds utilized to fund earning assets decreased $2.6 billion, or 12%, to $18.7 billion from $21.3 billion in the prior year quarter, resulting primarily from lower levels of demand and other noninterest-bearing deposits.

For additional quantitative analysis of average balances and interest rate changes affecting net interest income, refer to the Average Consolidated Balance Sheet with Analysis of Net Interest Income and the Analysis of Net Interest Income Changes Due To Volume and Rate on pages 22 and 23.

Provision for Credit Losses

The provision for credit losses was $5.0 million in both the current quarter and prior year quarter. Net charge-offs were $8.1 million in the current quarter resulting from $15.6 million of charge-offs and $7.5 million of recoveries, compared to $3.2 million of net charge-offs in the prior year quarter resulting from $16.2 million of charge-offs and $13.0 million of recoveries. Nonperforming loans and leases increased $26.9 million, or 11%, from the prior year quarter. Residential real estate loans and commercial real estate loans accounted for 66% and 23%, respectively, of total nonperforming loans at June 30, 2013. For additional discussion of the provision and allowance for credit losses, refer to the Asset Quality section on page 17.

Noninterest Expense

The components of noninterest expense are provided below.

Noninterest Expense ($ In Millions)	Three Months Ended June 30, 2013	2012	Change	
Compensation	**$ 326.9**	$ 313.8	$ 13.1	4%
Employee Benefits	**64.2**	64.9	(0.7)	(1)
Outside Services	**136.2**	133.7	2.5	2
Equipment and Software	**92.1**	99.4	(7.3)	(7)
Occupancy	**43.5**	42.6	0.9	2
Other Operating Expense	**66.8**	62.9	3.9	6
Total Noninterest Expense	**$ 729.7**	$ 717.3	$ 12.4	2%

Noninterest Expense (continued)

Compensation expense, the largest component of noninterest expense, equaled $326.9 million, up $13.1 million, or 4%, from $313.8 million in the prior year quarter. The increase is primarily attributable to higher staff levels and base pay adjustments. Staff on a full-time equivalent basis at June 30, 2013 totaled approximately 14,500, up 3% from a year ago.

Employee benefit expense equaled $64.2 million, down slightly from $64.9 million in the prior year quarter.

Expense associated with outside services totaled $136.2 million, up 2% from $133.7 million in the prior year quarter, primarily reflecting higher technical services and consulting expense in the current quarter.

Equipment and software expense totaled $92.1 million, down $7.3 million, or 7%, from $99.4 million in the prior year quarter. The prior year quarter included a $10.5 million software write-off. Excluding the prior period write-off, equipment and software expense increased 4% due to higher software amortization, partially offset by lower computer maintenance and repair expense.

Occupancy expense equaled $43.5 million, an increase of 2% from $42.6 million in the prior year quarter.

The components of other operating expense are provided below.

Other Operating Expense	Three Months Ended June 30,			
($ In Millions)	2013	2012	Change	
Business Promotion	**$ 20.7**	$ 20.4	$ 0.3	1%
FDIC Insurance Premiums	**5.1**	7.2	(2.1)	(29)
Staff Related	**8.0**	7.4	0.6	7
Other Intangible Amortization	**5.1**	5.5	(0.4)	(7)
Other Expenses	**27.9**	22.4	5.5	25
Total Other Operating Expense	**$ 66.8**	$ 62.9	$ 3.9	6%

The increase in the other expenses component of other operating expense reflects current quarter increases within various miscellaneous expense categories.

Provision for Income Taxes

Income tax expense was $94.7 million in the current quarter, representing an effective tax rate of 33.1%, and $86.6 million in the prior year quarter, representing an effective tax rate of 32.5%.

BUSINESS UNIT REPORTING

The following tables reflect the earnings contributions and average assets of Northern Trust s business units for the three and six month periods ended June 30, 2013 and 2012. Business unit financial information, presented on an internal management-reporting basis, is determined by accounting systems that are used to allocate revenue and expense related to each segment and incorporates processes for allocating assets, liabilities, and equity, and the applicable interest income and expense.

Three Months Ended June 30,	Corporate and Institutional Services		Personal Financial Services		Treasury and Other		Total Consolidated	
($ In Millions)	2013	2012	2013	2012	2013	2012	2013	2012
Noninterest Income								
Trust, Investment and Other Servicing Fees	**$ 364.2**	$ 338.4	**$ 293.1**	$ 267.4	**$**	$	**$ 657.3**	$ 605.8
Foreign Exchange Trading Income	**69.8**	56.5	**1.5**	2.9			**71.3**	59.4
Other Noninterest Income	**45.6**	47.1	**24.3**	24.1	**1.9**	(2.0)	**71.8**	69.2
Net Interest Income (FTE)*	**66.0**	72.0	**141.2**	158.4	**20.8**	33.9	**228.0**	264.3
Revenue*	**545.6**	514.0	**460.1**	452.8	**22.7**	31.9	**1,028.4**	998.7
Provision for Credit Losses	**1.2**	(0.5)	**3.8**	5.5			**5.0**	5.0
Noninterest Expense	**396.0**	397.5	**301.8**	289.5	**31.9**	30.3	**729.7**	717.3
Income (loss) before Income Taxes*	**148.4**	117.0	**154.5**	157.8	**(9.2)**	1.6	**293.7**	276.4
Provision for Income Taxes*	**48.3**	35.8	**58.0**	59.8	**(3.7)**	1.2	**102.6**	96.8
Net Income	**$ 100.1**	$ 81.2	**$ 96.5**	$ 98.0	**$ (5.5)**	$ 0.4	**$ 191.1**	$ 179.6
Percentage of Consolidated Net Income	**52%**	45%	**51%**	55%	**(3)%**	%	**100%**	100%
Average Assets	**$ 51,976.0**	$ 48,616.8	**$ 22,803.8**	$ 23,488.3	**$ 18,069.8**	$ 20,305.5	**$ 92,849.6**	$ 92,410.6

* Stated on a fully taxable equivalent basis (FTE). Total consolidated includes FTE adjustments of $7.9 million for 2013 and $10.2 million for 2012.

Six Months Ended June 30,	Corporate and Institutional Services		Personal Financial Services		Treasury and Other		Total Consolidated	
($ In Millions)	2013	2012	2013	2012	2013	2012	2013	2012
Noninterest Income								
Trust, Investment and Other Servicing Fees	**$ 712.9**	$ 655.4	**$ 575.1**	$ 525.6	**$**	$	**$ 1,288.0**	$ 1,181.0
Foreign Exchange Trading Income	**128.0**	114.0	**2.8**	7.3			**130.8**	121.3
Other Noninterest Income	**85.8**	95.7	**41.5**	46.8	**4.6**	(1.4)	**131.9**	141.1
Net Interest Income (FTE)*	**130.1**	149.0	**289.0**	319.5	**42.6**	62.1	**461.7**	530.6
Revenue*	**1,056.8**	1,014.1	**908.4**	899.2	**47.2**	60.7	**2,012.4**	1,974.0
Provision for Credit Losses	**(1.5)**		**11.5**	10.0			**10.0**	10.0
Noninterest Expense	**794.7**	795.5	**603.6**	593.2	**60.3**	52.2	**1,458.6**	1,440.9
Income (loss) before Income Taxes*	**263.6**	218.6	**293.3**	296.0	**(13.1)**	8.5	**543.8**	523.1
Provision for Income Taxes*	**84.2**	69.4	**110.8**	112.1	**(6.3)**	0.8	**188.7**	182.3
Net Income	**$ 179.4**	$ 149.2	**$ 182.5**	$ 183.9	**$ (6.8)**	$ 7.7	**$ 355.1**	$ 340.8
Percentage of Consolidated Net Income	**51%**	44%	**51%**	54%	**(2)%**	2%	**100%**	100%
Average Assets	**$ 51,648.2**	$ 49,139.5	**$ 22,832.4**	$ 23,526.1	**$ 17,732.4**	$ 21,103.7	**$ 92,213.0**	$ 93,769.3

* Stated on a fully taxable equivalent basis (FTE). Total consolidated includes FTE adjustments of $15.5 million for 2013 and $20.1 million for 2012.

Corporate and Institutional Services

C&IS net income for the quarter totaled $100.1 million in the current quarter as compared to $81.2 million in the prior year quarter, an increase of $18.9 million, or 23%. Noninterest income was $479.6 million, up $37.6 million, or 9%, from $442.0 million in the prior year quarter. The increase primarily reflects higher trust, investment and other servicing fees and increased foreign exchange trading income.

C&IS Trust, Investment and Other Servicing Fees	Three Months Ended June 30,			
($ In Millions)	2013	2012	Change	
Custody and Fund Administration	**$ 234.4**	$ 215.0	$ 19.4	9%
Investment Management	**73.9**	71.8	2.1	3
Securities Lending	**31.1**	30.7	0.4	1
Other	**24.8**	20.9	3.9	18
Total	**$ 364.2**	$ 338.4	$ 25.8	8%

Custody and fund administration fees, the largest component of C&IS trust, investment and other servicing fees, increased 9%, primarily reflecting favorable equity markets and new business. C&IS investment management fees increased 3%, reflecting the favorable impact of markets and new business, partially offset by higher waived fees in money market mutual funds. Money market mutual fund fee waivers in C&IS, attributable to persistent low short-term interest rates, totaled $9.8 million in the current quarter, compared to waived fees of $7.0 million in the prior year quarter. Securities lending revenue increased slightly, reflecting higher loan volumes, partially offset by lower spreads in the current quarter.

Foreign exchange trading income totaled $69.8 million in the current quarter, an increase of $13.3 million, or 24%, from $56.5 million in the prior year quarter, attributable to higher currency market volatility and higher trading volumes.

Other noninterest income totaled $45.6 million in the current quarter, a decrease of 3% from $47.1 million in the prior year quarter.

Net interest income stated on an FTE basis was $66.0 million, down $6.0 million, or 8%, from $72.0 million in the prior year quarter, primarily reflecting a decrease in the net interest margin. The current quarter net interest margin equaled 0.61% as compared to 0.71% in the prior year quarter. The lower net interest margin is primarily due to lower yields on earning assets, partially offset by lower deposit rates as a result of the low interest rate environment. Earning assets averaged $44.1 billion for the quarter, an increase of $3.2 billion, or 8%, from $40.9 billion in the prior year quarter. Earning assets were primarily comprised of interest-bearing deposits with banks and loans and leases. Funding sources were primarily comprised of non-U.S. custody related interest-bearing deposits.

A provision for credit losses of $1.2 million was recorded in the current quarter as compared to the prior year quarter s negative provision of $0.5 million. The current quarter provision reflects higher loan balances, partially offset by continued improvement in loan portfolio credit quality metrics.

Corporate and Institutional Services (continued)

Total C&IS noninterest expense, which includes the direct expense of the business unit, indirect expense allocations from NTGI and O&T for product and operating support, and indirect expense allocations for certain corporate support services, totaled $396.0 million, relatively unchanged from the prior year quarter s $397.5 million.

Personal Financial Services

PFS net income for the current quarter was $96.5 million, down 2%, from $98.0 million in the prior year quarter. Noninterest income was $318.9 million, up $24.5 million, or 8%, from $294.4 million in the prior year quarter. Trust, investment and other servicing fees totaled $293.1 million in the current quarter, increasing $25.7 million, or 10%, from $267.4 million in the prior year quarter. The increased fees are primarily attributable to favorable equity markets and new business, partially offset by higher waived fees in money market mutual funds. Money market mutual fund fee waivers in PFS totaled $12.9 million in the current quarter compared with $10.0 million in the prior year quarter. Other noninterest income totaled $24.3 million, relatively unchanged from a year ago.

Net interest income stated on an FTE basis was $141.2 million, down $17.2 million, or 11%, from $158.4 million in the prior year quarter, primarily due to a lower net interest margin. The net interest margin decreased to 2.54% from 2.76% in the prior year quarter as a result of lower yields on earnings assets, partially offset by lower deposit rates as a result of the low interest rate environment. Loans and leases, which represented 99% of average earning assets, averaged $22.4 billion, down $635.0 million, or 3%, from $23.1 billion in the prior year quarter. Funding sources were primarily comprised of domestic retail interest-bearing deposits.

A provision for credit losses of $3.8 million was recorded in the current quarter, compared to $5.5 million in the prior year quarter. The current quarter provision primarily reflects continued weakness within the residential real estate loan class.

Total PFS noninterest expense, which includes the direct expense of the business unit, indirect expense allocations from NTGI and O&T for product and operating support, and indirect expense allocations for certain corporate support services, totaled $301.8 million compared with $289.5 million in the prior year quarter, an increase of $12.3 million, or 4%. The increase primarily reflects higher indirect expense allocations and higher compensation expense in the current quarter.

Treasury and Other

Treasury and Other includes income and expense associated with the wholesale funding activities and the investment portfolios of the Corporation and its principal subsidiary, The Northern Trust Company (Bank), and certain corporate-based expense, executive level compensation, and nonrecurring items not allocated to the business units. Other noninterest income in the current quarter totaled $1.9 million, compared to negative $2.0 million in the prior year quarter. Net interest income in the current quarter was $20.8 million, compared to $33.9 million in the prior year quarter, a decrease of $13.1 million, or 39%. The decrease primarily reflects lower yields on securities and a decline in average earning assets of $2.8 billion, or 15%, to $16.4 billion in the current quarter.

Treasury and Other (continued)

Noninterest expense for the quarter totaled $31.9 million compared with $30.3 million in the prior year quarter, an increase of 5%, reflecting current quarter increases within various miscellaneous expense categories.

SIX-MONTH CONSOLIDATED RESULTS OF OPERATIONS

Net income per common share of $1.45 was reported for the six months ended June 30, 2013 compared with net income per common share of $1.39 reported in the prior year period. The current period s net income totaled $355.1 million as compared to $340.8 million in the prior year period. The performance in the current period produced an annualized return on average common equity of 9.4%, compared to 9.5% in the prior year period. The annualized return on average assets was 0.8% in the current period and 0.7% in prior year period.

Revenue for the six months ended June 30, 2013 totaled $2.00 billion, up $43.0 million, or 2%, from the prior year period s $1.95 billion. Noninterest income, which represented 78% of total revenue, was $1.55 billion, up $107.3 million, or 7%, from the prior year period. Trust, investment and other servicing fees increased $107.0 million, or 9%, to $1.29 billion in the current period.

Noninterest Income

The components of noninterest income are provided below.

Noninterest Income ($ In Millions)	Six Months Ended June 30, 2013	2012	Change	
Trust, Investment and Other Servicing Fees	**$ 1,288.0**	$ 1,181.0	$ 107.0	9%
Foreign Exchange Trading Income	**130.8**	121.3	9.5	8
Treasury Management Fees	**33.9**	34.7	(0.8)	(2)
Security Commissions and Trading Income	**36.6**	35.7	0.9	2
Other Operating Income	**61.1**	72.6	(11.5)	(16)
Investment Security Gains (Losses), net	**0.3**	(1.9)	2.2	(113)
Total Noninterest Income	**$ 1,550.7**	$ 1,443.4	$ 107.3	7%

Trust, investment and other servicing fees from C&IS increased $57.5 million, or 9%, totaling $712.9 million, compared to $655.4 million a year ago.

C&IS Trust, Investment and Other Servicing Fees ($ In Millions)	Six Months Ended June 30, 2013	2012	Change	
Custody and Fund Administration	**$ 458.2**	$ 424.8	$ 33.4	8%
Investment Management	**149.4**	133.6	15.8	12
Securities Lending	**53.4**	52.2	1.2	2
Other	**51.9**	44.8	7.1	16
Total	**$ 712.9**	$ 655.4	$ 57.5	9%

Noninterest Income (continued)

Custody and fund administration fees, the largest component of C&IS fees, increased 8%, primarily reflecting the favorable impact of equity markets and new business. C&IS investment management fees increased 12%, reflecting the favorable impact of equity markets and new business, partially offset by higher waived fees in money market mutual funds. Money market mutual fund fee waivers in C&IS, attributable to persistent low short-term interest rates, totaled $18.6 million in the current period compared to waived fees of $17.6 million in the prior year period.

Trust, investment and other servicing fees in PFS totaled $575.1 million in the current period, increasing $49.5 million, or 9%, from $525.6 million in the prior year period. The increased fees in the current period are primarily attributable to favorable equity markets and new business, partially offset by higher waived fees in money market mutual funds. Waived fees in PFS, attributable to the low short-term interest rates, totaled $26.3 million in the current period compared with $24.8 million in the prior year period.

Foreign exchange trading income increased $9.5 million, or 8%, and totaled $130.8 million in the period compared with $121.3 million in the prior year period. The current period increase is attributable to higher currency market volatility and trading volumes compared to the prior year period.

Other Operating Income	Six Months Ended June 30,			
($ In Millions)	2013	2012	Change	
Loan Service Fees	**$ 29.6**	$ 31.6	$ (2.0)	(6)%
Banking Service Fees	**25.4**	27.6	(2.2)	(8)
Other Income	**6.1**	13.4	(7.3)	(55)
Total Other Operating Income	**$ 61.1**	$ 72.6	$ (11.5)	(16)%

Other operating income decreased $11.5 million, or 16%, for the period to $61.1 million compared with $72.6 million in the prior year period. The current period includes a $12.4 million write-off of certain fee receivables resulting from the correction of an accrual methodology followed in prior years.

Net investment security gains in the current period totaled $0.3 million, compared to $1.9 million losses in the prior year period. Net investment security losses in the prior year period included $3.1 million of credit-related other-than-temporary impairment.

Net Interest Income

Net interest income, stated on an FTE basis, totaled $461.7 million, a decrease of $68.9 million, or 13%, from $530.6 million reported in the prior year period. The decrease reflects a continued decline in the net interest margin to 1.13% from 1.26% in the prior year period. The current period decline in the net interest margin primarily reflects lower yields on earning assets and decreased average earning assets, partially offset by a lower cost of interest-related funds due to lower short-term interest rates. Total average earning assets for the period were $82.6 billion, down $2.0 billion, or 2%, from $84.6 billion in the prior year period.

Provision for Credit Losses

The provision for credit losses was $10.0 million for the current and prior year period. Net charge-offs totaled $16.8 million in the current period, compared to $9.0 million in the 2012 period, and included recoveries of $11.4 million and $21.6 million, respectively. The current period provision reflects improvement in the commercial and institutional and commercial real estate loan classes, partially offset by continued weakness in the residential real estate loan class. For a fuller discussion of the consolidated allowance and provision for credit losses refer to the Asset Quality section on page 17.

Noninterest Expense

Noninterest expense totaled $1.46 billion for the period, up $17.7 million, or 1%, from the prior year period s $1.44 billion. The components of noninterest expense are provided below.

Noninterest Expense ($ In Millions)	Six Months Ended June 30, 2013	2012	Change	
Compensation	**$ 647.2**	$ 635.4	$ 11.8	2%
Employee Benefits	**127.5**	133.0	(5.5)	(4)
Outside Services	**266.1**	261.9	4.2	2
Equipment and Software	**183.5**	190.2	(6.7)	(4)
Occupancy	**86.7**	84.4	2.3	3
Other Operating Expense	**147.6**	136.0	11.6	9
Total Noninterest Expense	**$ 1,458.6**	$ 1,440.9	$ 17.7	1%

Compensation expense, the largest component of noninterest expense, equaled $647.2 million, up $11.8 million, or 2% from prior year period s $635.4 million. The increase is primarily attributable to higher staff levels and base pay adjustments.

The decrease in employee benefit expense of $5.5 million primarily reflects lower expense associated with employee medical benefits.

Outside services expense increased 2% from the prior year period, primarily reflecting higher technical services and consulting expense.

Equipment and software expense totaled $183.5 million, down $6.7 million, or 4% from $190.2 million in the prior year period. The prior year period included equipment and software write-offs of $15.1 million. Excluding the prior period write-off, equipment and software expense increased 5% in the current period, primarily due to higher amortization.

Noninterest Expense (Continued)

The components of other operating expense are provided below.

Other Operating Expense ($ In Millions)	Six Months Ended June 30, 2013	2012	Change	
Business Promotion	**$ 49.4**	$ 48.7	$ 0.7	1%
FDIC Insurance Premiums	**11.8**	11.5	0.3	3
Staff Related	**18.5**	17.2	1.3	8
Other Intangible Amortization	**10.3**	10.3		
Other Expenses	**57.6**	48.3	9.3	19
Total Other Operating Expense	**$ 147.6**	$ 136.0	$ 11.6	9%

The increase in the other expenses component of other operating expense primarily reflects higher charges associated with account servicing activities and increases within various other miscellaneous expense categories.

Provision for Income Taxes

Total income tax expense was $173.2 million for the six months ended June 30, 2013, representing an effective tax rate of 32.8%. This compares with $162.2 million of income tax expense and an effective tax rate of 32.3% in the prior year period.

BALANCE SHEET

Total assets at June 30, 2013 were $97.2 billion and averaged $92.8 billion for the current quarter compared with total assets of $94.5 billion at June 30, 2012 and average total assets of $92.4 billion in the prior year quarter. Average balances are considered to be a better measure of balance sheet trends as period-end balances can be impacted on a short term basis by deposit and withdrawal activity involving large balances of short-term client funds. Loans and leases totaled $28.8 billion at June 30, 2013 and averaged $28.6 billion in the current quarter, down 3% and 2%, respectively, compared to $29.6 billion at June 30, 2012 and a $29.1 billion average in the prior year quarter. Securities, including Federal Reserve and Federal Home Loan Bank stock and certain community development investments which are classified in other assets in the consolidated balance sheet, totaled $30.7 billion at June 30, 2013 and averaged $30.7 billion for the current quarter, up 3% and down 2%, respectively, compared to $29.7 billion at June 30, 2012 and $31.5 billion on average in the prior year quarter. Federal funds sold and securities purchased under agreements to resell, interest-bearing deposits with banks, and Federal Reserve deposits and other interest-bearing assets in aggregate totaled $25.1 billion at June 30, 2013 and averaged $23.8 billion in the current quarter, down 7% and up 5%, respectively, from the prior year quarter. Interest-bearing deposits at June 30, 2013 totaled $56.8 billion and averaged $55.9 billion, up 3% and 4%, respectively, compared to $55.3 billion at June 30, 2012 and a $53.6 billion average in the prior year quarter. Noninterest-bearing deposits at June 30, 2013 totaled $19.7 billion and averaged $17.5 billion, down 9% and 11%, respectively, compared to $21.7 billion at June 30, 2012 and a $19.7 billion average in the prior year quarter.

BALANCE SHEET (continued)

Total stockholders equity averaged $7.6 billion, up $0.3 million, or 5%, from the prior year quarter s average of $7.3 billion. The increase primarily reflects earnings, partially offset by dividend declarations and the repurchase of common stock pursuant to the Corporation s share buyback program. During the three and six months ended June 30, 2013, the Corporation repurchased 281,326 shares at a cost of $15.3 million ($54.28 average price per share) and 1,684,692 shares at a cost of $89.8 million ($53.28 average price per share), respectively. The Corporation s common stock repurchase authorization was replaced in April of 2013, pursuant to which the Corporation is authorized to purchase up to 11.7 million additional shares after June 30, 2013.

Northern Trust s risk-based capital ratios remained strong at June 30, 2013 and exceeded the minimum regulatory requirements established by U.S. banking regulators. The Corporation and the Bank each had capital ratios at June 30, 2013 that were above the level required for classification as a well capitalized institution. Shown below are the capital ratios of the Corporation and the Bank as of June 30, 2013 and December 31, 2012.

	June 30, 2013			December 31, 2012		
	Tier 1 Capital	Total Capital	Leverage Ratio	Tier 1 Capital	Total Capital	Leverage Ratio
Northern Trust Corporation	**13.1%**	**14.4%**	**8.4%**	12.8%	14.3%	8.2%
The Northern Trust Company	**11.3%**	**13.0%**	**7.3%**	11.9%	13.7%	7.6%
Minimum to Qualify as Well Capitalized	**6.0%**	**10.0%**	**5.0%**	6.0%	10.0%	5.0%

The following table provides the Corporation s ratios of tier 1 capital and tier 1 common equity to risk-weighted assets, as well as a reconciliation of tier 1 capital calculated in accordance with applicable regulatory requirements and GAAP to tier 1 common equity.

($ In Millions)	June 30, 2013	December 31, 2012
Ratios		
Tier 1 Capital	**13.1%**	12.8%
Tier 1 Common Equity	**12.6%**	12.4%
Tier 1 Capital	**$ 7,776.1**	$ 7,489.0
Less: Floating Rate Capital Securities	**268.8**	268.7
Tier 1 Common Equity	**$ 7,507.3**	$ 7,220.3

Northern Trust is providing the tier 1 common equity ratio, a non-GAAP financial measure, in addition to its capital ratios prepared in accordance with regulatory requirements and GAAP as it is a measure that Northern Trust and investors use to assess capital adequacy.

Statement of Cash Flows

For the six months ended June 30, 2013, net cash used in operating activities was $1.3 billion, attributable to a net increase in required collateral posted with derivative counterparties as a result of market movements on client-related and trading derivative instruments.

Net cash provided by investing activities was $2.7 billion for the six months ended June 30, 2013, primarily the result of decreases in Federal Reserve deposits and other interest-bearing assets and in loans and leases, as well as net changes within securities held to maturity and available for sale and within client settlement receivables. The net decrease in Federal Reserve deposits and other interest-bearing assets reflects lower client deposit levels, partially offset by higher levels of short-term borrowing.

For the six months ended June 30, 2013, net cash used in financing activities totaled $436.5 million, primarily reflecting a decline in the level of deposits, partially offset by an increase in federal funds purchased and short-term other borrowings. The decline in deposits was primarily due to a decline in U.S. demand deposits from the level at December 31, 2012, largely driven by the expiration on that date of the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program which had provided unlimited deposit insurance. The increases in federal funds purchased and short-term other borrowings reflect additional borrowing activity in the federal funds market and additional short-term borrowings from the Federal Home Loan Bank.

ASSET QUALITY

Securities Portfolio

Northern Trust maintains a high quality securities portfolio, with 85% of the combined available for sale, held to maturity, and trading account portfolios at June 30, 2013 composed of U.S. Treasury and government sponsored agency securities and triple-A rated corporate notes, asset-backed securities, supranational, sovereign and non-U.S. agency bonds, auction rate securities and obligations of states and political subdivisions. The remaining portfolio was composed of corporate notes, asset-backed securities, negotiable certificates of deposit, obligations of states and political subdivisions, auction rate securities and other securities, of which as a percentage of the total securities portfolio, 4% was rated double-A, 3% was rated below double-A, and 8% was not rated by Standard and Poor s or Moody s Investors Service (primarily negotiable certificates of deposits of banks whose long term ratings are at least A).

Net unrealized gains within the investment securities portfolio totaled $40.6 million at June 30, 2013, comprised of $172.0 million and $131.4 million of gross unrealized gains and losses, respectively. Of the unrealized losses on securities at June 30, 2013, the largest component, totaling $61.3 million, was corporate debt securities, primarily reflecting widened credit spreads and higher market rates since purchase; 50% of the corporate debt portfolio is backed by guarantees provided by U.S. and non-U.S. governmental entities. Unrealized losses of $40.9 million related to government sponsored agency securities are primarily attributable to changes in market rates since their purchase.

ASSET QUALITY (continued)

There were no other-than-temporary impairment losses for the three or six months ended June 30, 2013 or the three months ended June 30, 2012. Credit-related losses recognized in earnings on other-than-temporarily impaired securities totaled $3.1 million for the six months ended June 30, 2012. Northern Trust has evaluated non-agency residential mortgage-backed securities, and all other securities with unrealized losses, for possible other-than-temporary impairment in accordance with GAAP and Northern Trust s security impairment review policy.

Northern Trust is a participant in the repurchase agreement market. This provides a relatively low cost alternative for short-term funding. Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted for as collateralized financings and recorded at the amounts at which the securities were acquired or sold plus accrued interest. To minimize potential credit risk associated with these transactions, the fair value of the securities purchased or sold is monitored, limits are set on exposure with counterparties, and the financial condition of counterparties is regularly assessed. It is Northern Trust s policy to take possession of securities purchased under agreements to resell. Securities sold under agreements to repurchase are held by the counterparty until the repurchase.

Eurozone Exposure

Northern Trust continues to closely monitor developments related to the European debt crisis. Northern Trust considers Ireland, Portugal, Italy, Greece, Spain and Cyprus to be those eurozone countries experiencing significant economic, fiscal and/or political strains. At June 30, 2013, Northern Trust s gross exposure to obligors in Ireland totaled approximately $1.2 billion, or 1% of Northern Trust s total consolidated assets. There was no exposure to obligors in Portugal, Italy, Greece, Spain or Cyprus and no exposure to sovereign debt securities in those countries as of June 30, 2013. Of the total exposure to obligors in Ireland, $6 million was to banks and the remainder was to commercial and other borrowers, primarily funds domiciled in Ireland whose assets and investment activities are broadly diversified by investment strategy, issuer type, country of risk, and/or instrument type. Exposures to these borrowers in Ireland may be secured or unsecured, committed or uncommitted, but are typically for short periods of a year or less for foreign exchange, overdraft accommodations, and loans. Exposure levels at June 30, 2013 reflect Northern Trust s risk management policies and practices, which operate to limit exposures to higher risk European financial and sovereign entities.

Nonperforming Loans and Other Real Estate Owned

Nonperforming assets consist of nonperforming loans and Other Real Estate Owned (OREO). OREO is comprised of commercial and residential properties acquired in partial or total satisfaction of loans.

ASSET QUALITY (continued)

The following table provides the amounts of nonperforming loans, by segment and class, and of OREO that were outstanding at the dates shown, as well as the balance of loans that were delinquent 90 days or more and still accruing interest. The balance of loans delinquent 90 days or more and still accruing interest can fluctuate widely based on the timing of cash collections, renegotiations and renewals.

($ In Millions)	June 30, 2013	March 31, 2013	December 31, 2012	June 30, 2012
Nonperforming Loans and Leases				
Commercial				
Commercial and Institutional	**$ 25.0**	$ 21.1	$ 21.6	$ 32.9
Commercial Real Estate	**61.5**	53.7	56.4	41.1
Total Commercial	**86.5**	74.8	78.0	74.0
Personal				
Residential Real Estate	**177.2**	173.6	174.6	163.1
Private Client	**3.0**	3.3	2.2	2.7
Total Personal	**180.2**	176.9	176.8	165.8
Total Nonperforming Loans and Leases	**266.7**	251.7	254.8	239.8
Other Real Estate Owned	**14.5**	10.5	20.3	25.3
Total Nonperforming Assets	**$ 281.2**	$ 262.2	$ 275.1	$ 265.1
90 Day Past Due Loans Still Accruing	**$ 18.5**	$ 11.1	$ 19.0	$ 31.6
Nonperforming Loans and Leases to Total Loans and Leases	**0.93%**	0.87%	0.86%	0.81%
Coverage of Loan and Lease Allowance to Nonperforming Loans and Leases	**1.1 x**	1.2 x	1.2 x	1.3 x

Maintaining a low level of nonperforming assets is important to the ongoing success of a financial institution. In addition to the negative impact on both net interest income and credit losses, nonperforming assets also increase operating costs due to the expense associated with collection efforts. Nonperforming assets of $281.2 million as of June 30, 2013 continue to reflect the deterioration in overall economic conditions experienced since the onset of the economic downturn in 2008 and its effect on Northern Trust s loan portfolio, primarily within the residential real estate and commercial real estate loan classes.

Importantly, Northern Trust focuses its lending efforts on clients who are looking to utilize a full range of financial services with Northern Trust. Northern Trust s underwriting standards do not allow for the origination of loan types generally considered to be of high risk in nature, such as option ARM loans, subprime loans, loans with initial teaser rates, and loans with excessively high loan-to-value ratios. Residential real estate loans consist of conventional home mortgages and equity credit lines, which generally require loan to collateral values of no more than 65% to 80% at inception. Revaluations of supporting collateral are obtained upon refinancing or default or when otherwise considered warranted. Collateral revaluations for mortgages are performed by independent third parties.

The commercial real estate portfolio consists of commercial mortgages and construction, acquisition and development loans extended primarily to highly experienced developers and/or investors well known to Northern Trust. Underwriting standards generally reflect conservative loan-to-value ratios and debt service coverage requirements. Recourse to borrowers through guarantees is also commonly required.

ASSET QUALITY (continued)

Provision and Allowance for Credit Losses

The provision for credit losses is the charge to current earnings that is determined by management, through a disciplined credit review process, to be the amount needed to maintain the allowance for credit losses at an appropriate level to absorb probable credit losses that have been identified with specific borrower relationships (specific loss component) and probable losses that are believed to be inherent in the loan and lease portfolios, unfunded commitments, and standby letters of credit (inherent loss component). Control processes and analyses employed to evaluate the appropriateness of the allowance for credit losses are reviewed on at least an annual basis and modified as considered necessary.

The amount of specific allowance is determined through an individual evaluation of loans and lending-related commitments considered impaired that is based on expected future cash flows, the value of collateral, and other factors that may impact the borrower s ability to pay. Changes in collateral values, delinquency ratios, portfolio volume and concentration, and other asset quality metrics, including management s subjective evaluation of economic and business conditions, result in adjustments of qualitative allowance factors that are applied in the determination of inherent allowance requirements.

The provision for credit losses totaled $5.0 million in the current quarter and the prior year quarter. Residential real estate loans continued to reflect weakness relative to the overall portfolio, accounting for 66% and 68% of total nonperforming loans and leases at June 30, 2013 and 2012, respectively.

Note 6 to the consolidated financial statements includes a table that details the changes in the allowance for credit losses during the three and six months ended June 30, 2013 and 2012 due to charge-offs, recoveries, and the provision for credit losses.

The following table shows the specific portion of the allowance and the inherent portion of the allowance and its components, each by loan and lease segment and class.

	June 30, 2013		March 31, 2013		December 31, 2012		June 30, 2012	
($ In Millions)	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
Specific Allowance	**$ 32.9**	%	$ 34.8	%	$ 32.5	%	$ 30.9	%
Allocated Inherent Allowance								
Commercial								
Commercial and Institutional	**73.7**	25	74.4	25	79.2	25	85.8	24
Commercial Real Estate	**74.6**	10	77.0	10	80.6	10	82.8	10
Lease Financing, net	**4.5**	3	5.0	4	5.5	4	3.4	4
Non-U.S.	**2.3**	5	2.7	4	3.4	4	4.1	4
Other		1		2		1		2
Total Commercial	**155.1**	44	159.1	45	168.7	44	176.1	44
Personal								
Residential Real Estate	**116.4**	36	115.2	35	110.9	35	107.1	36
Private Client	**16.3**	20	14.7	20	15.5	21	15.8	19
Other								1
Total Personal	**132.7**	56	129.9	55	126.4	56	122.9	56
Total Allocated Inherent Allowance	**$ 287.8**	100%	$ 289.0	100%	$ 295.1	100%	$ 299.0	100%
Total Allowance for Credit Losses	**320.7**		323.8		327.6		329.9	
Allowance Assigned to								

Loans and Leases	**$ 290.4**	$ 294.1	$ 297.9	$ 300.3
Unfunded Commitments and Standby Letters of Credit	**30.3**	29.7	29.7	29.6
Total Allowance for Credit Losses	**$ 320.7**	$ 323.8	$ 327.6	$ 329.9
Allowance Assigned to Loans and Leases to Total Loans and Leases	**1.01%**	1.02%	1.01%	1.01%

MARKET RISK MANAGEMENT

As described in the 2012 Annual Report to Shareholders, Northern Trust manages its interest rate risk through two primary measurement techniques: simulation of earnings and simulation of economic value of equity. Also, as part of its risk management activities, it regularly measures the risk of loss associated with foreign currency positions using a Value-at-Risk (VaR) model.

Based on this continuing evaluation process, Northern Trust s interest rate risk position, as measured by current market implied forward interest rates and sensitivity analyses, and the VaR associated with the foreign exchange trading portfolio, have not changed significantly since December 31, 2012.

RECONCILIATION OF REPORTED NET INTEREST INCOME TO FULLY TAXABLE EQUIVALENT

The tables below present a reconciliation of interest income and net interest income prepared in accordance with GAAP to interest income and net interest income on a fully taxable equivalent (FTE) basis, a non-GAAP financial measure. Management believes an FTE presentation provides a clearer indication of net interest margins for comparative purposes.

	Three Months Ended					
	June 30, 2013			June 30, 2012		
($ In Millions)	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Interest Income	**$ 275.3**	**$ 7.9**	**$ 283.2**	$ 321.5	$ 10.2	$ 331.7
Interest Expense	**55.2**		**55.2**	67.4		67.4
Net Interest Income	**$ 220.1**	**$ 7.9**	**$ 228.0**	$ 254.1	$ 10.2	$ 264.3
Net Interest Margin	**1.06%**		**1.10%**	1.23%		1.28%

	Six Months Ended					
	June 30, 2013			June 30, 2012		
($ In Millions)	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Interest Income	**$ 562.0**	**$ 15.5**	**$ 577.5**	$ 662.5	$ 20.1	$ 682.6
Interest Expense	**115.8**		**115.8**	152.0		152.0
Net Interest Income	**$ 446.2**	**$ 15.5**	**$ 461.7**	$ 510.5	$ 20.1	$ 530.6
Net Interest Margin	**1.09%**		**1.13%**	1.21%		1.26%

The following schedule should be read in conjunction with the Net Interest Income section of Management s Discussion and Analysis of Financial Condition and Results of Operations.

AVERAGE CONSOLIDATED BALANCE SHEET WITH ANALYSIS OF NET INTEREST INCOME | **NORTHERN TRUST CORPORATION**

(INTEREST AND RATE ON A FULLY TAXABLE EQUIVALENT BASIS)	Second Quarter					
	2013			2012		
($ In Millions)	Interest	Average Balance	Rate (3)	Interest	Average Balance	Rate (3)
Average Earning Assets						
Federal Funds Sold and Securities Purchased under Agreements to Resell	**$ 0.4**	**$ 309.8**	**0.51%**	$ 0.1	$ 260.3	0.18%
Interest-Bearing Deposits with Banks	**34.5**	**18,192.6**	**0.76**	43.5	18,788.9	0.93
Federal Reserve Deposits and Other Interest-Bearing	**3.4**	**5,275.5**	**0.26**	2.2	3,643.4	0.24
Securities						
U.S. Government	**4.7**	**1,787.4**	**1.05**	6.8	2,546.9	1.08
Obligations of States and Political Subdivisions	**4.6**	**287.0**	**6.39**	6.9	422.1	6.57
Government Sponsored Agency	**17.5**	**17,270.4**	**0.41**	28.5	17,827.2	0.64
Other (1)	**31.0**	**11,397.2**	**1.09**	36.5	10,661.9	1.38
Total Securities	**57.8**	**30,742.0**	**0.75**	78.7	31,458.1	1.01
Loans and Leases (2)	**187.1**	**28,601.8**	**2.62**	207.2	29,057.5	2.86
Total Earning Assets	**283.2**	**83,121.7**	**1.37**	331.7	83,208.2	1.60
Allowance for Credit Losses Assigned to Loans and Leases		**(290.2)**			(298.1)	
Cash and Due from Banks		**2,964.6**			3,860.7	
Buildings and Equipment		**461.6**			469.0	
Client Security Settlement Receivables		**822.2**			488.1	
Goodwill		**531.3**			535.0	
Other Assets		**5,238.4**			4,147.7	
Total Assets	**$**	**$ 92,849.6**	**%**	$	$ 92,410.6	%
Average Source of Funds						
Deposits						
Savings and Money Market	**$ 2.3**	**$ 14,634.7**	**0.06%**	$ 4.9	$ 14,095.6	0.14%
Savings Certificates and Other Time	**3.4**	**2,199.1**	**0.62**	5.2	3,098.3	0.67
Non-U.S. Offices Interest-Bearing	**19.3**	**39,043.3**	**0.20**	22.6	36,431.2	0.25
Total Interest-Bearing Deposits	**25.0**	**55,877.1**	**0.18**	32.7	53,625.1	0.25
Short-Term Borrowings	**1.4**	**4,750.0**	**0.12**	1.9	4,165.6	0.18
Senior Notes	**19.3**	**2,400.1**	**3.21**	16.8	2,119.5	3.21
Long-Term Debt	**8.9**	**1,105.2**	**3.24**	15.3	1,674.9	3.66
Floating Rate Capital Debt	**0.6**	**277.1**	**0.86**	0.7	277.0	1.06
Total Interest-Related Funds	**55.2**	**64,409.5**	**0.34**	67.4	61,862.1	0.44
Interest Rate Spread			**1.03**			1.16
Demand and Other Noninterest-Bearing Deposits		**17,468.1**			19,720.1	
Other Liabilities		**3,323.7**			3,539.6	
Stockholders Equity		**7,648.3**			7,288.8	

Total Liabilities and Stockholders Equity	**$**	**$ 92,849.6**	**%**	$	$ 92,410.6	%
Net Interest Income/Margin (FTE Adjusted)	**$ 228.0**	**$**	**1.10%**	$ 264.3	$	1.28%
Net Interest Income/Margin (Unadjusted)	**$ 220.1**	**$**	**1.06%**	$ 254.1	$	1.23%

ANALYSIS OF NET INTEREST INCOME CHANGES

DUE TO VOLUME AND RATE

	Three Months 2013/2012 Change Due To		
(In Millions)	**Average Balance**	**Rate**	**Total**
Earning Assets (FTE)	**$ (0.3)**	**$ (48.2)**	**$ (48.5)**
Interest-Related Funds	**2.8**	**(15.0)**	**(12.2)**
Net Interest Income (FTE)	**$ (3.1)**	**$ (33.2)**	**$ (36.3)**

(1) Other securities include Federal Reserve and Federal Home Loan Bank stock and certain community development investments which are classified in other assets in the consolidated balance sheet as of June 30, 2013 and 2012.
(2) Average balances include nonaccrual loans. Lease financing receivable balances are reduced by deferred income.
(3) Rate calculations are based on actual balances rather than the rounded amounts presented in the Average Consolidated Balance Sheet with Analysis of Net Interest Income.

Notes: Net Interest Income (FTE Adjusted) includes adjustments to a fully taxable equivalent basis for loans and securities. Such adjustments are based on a blended federal and state tax rate of 37.7%. Total taxable equivalent interest adjustments amounted to $7.9 million and $10.2 million for the three months ended June 30, 2013 and 2012, respectively.

Interest revenue on cash collateral positions is reported above within interest-bearing deposits with banks and within loans and leases. Interest expense on cash collateral positions is reported above within non-U.S. offices interest-bearing deposits. Related cash collateral received from and deposited with derivative counterparties is recorded net of the associated derivative contract within other assets and other liabilities, respectively.

The following schedule should be read in conjunction with the Net Interest Income section of Management s Discussion and Analysis of Financial Condition and Results of Operations.

AVERAGE CONSOLIDATED BALANCE SHEET WITH ANALYSIS OF NET INTEREST INCOME

NORTHERN TRUST CORPORATION

(INTEREST AND RATE ON A FULLY TAXABLE EQUIVALENT BASIS)	Six Months					
	2013			2012		
($ In Millions)	Interest	Average Balance	Rate (3)	Interest	Average Balance	Rate (3)
Average Earning Assets						
Federal Funds Sold and Securities Purchased under Agreements to Resell	**$ 0.5**	**$ 279.8**	**0.36%**	$ 0.2	$ 253.5	0.15%
Interest-Bearing Deposits with Banks	**69.5**	**18,146.3**	**0.77**	94.0	18,517.6	1.02
Federal Reserve Deposits and Other Interest-Bearing	**5.9**	**4,577.7**	**0.26**	7.3	5,664.4	0.26
Securities						
U.S. Government	**9.3**	**1,785.1**	**1.05**	14.4	2,758.4	1.05
Obligations of States and Political Subdivisions	**9.7**	**304.0**	**6.36**	15.1	457.5	6.59
Government Sponsored Agency	**45.4**	**17,772.7**	**0.52**	58.2	17,685.0	0.66
Other (1)	**61.0**	**11,145.2**	**1.10**	67.4	10,463.3	1.29
Total Securities	**125.4**	**31,007.0**	**0.82**	155.1	31,364.2	0.99
Loans and Leases (2)	**376.2**	**28,631.7**	**2.65**	426.0	28,836.6	2.97
Total Earning Assets	**577.5**	**82,642.5**	**1.41**	682.6	84,636.3	1.62
Allowance for Credit Losses Assigned to Loans and Leases		**(293.2)**			(295.5)	
Cash and Due from Banks		**3,177.4**			3,931.6	
Buildings and Equipment		**464.5**			480.7	
Client Security Settlement Receivables		**807.8**			454.6	
Goodwill		**532.0**			534.5	
Other Assets		**4,882.0**			4,027.1	
Total Assets	**$**	**$ 92,213.0**	**%**	$	$ 93,769.3	%
Average Source of Funds						
Deposits						
Savings and Money Market	**$ 5.2**	**$ 14,756.8**	**0.07%**	$ 10.2	$ 14,351.2	0.14%
Savings Certificates and Other Time	**7.3**	**2,291.8**	**0.64**	10.3	3,084.9	0.67
Non-U.S. Offices Interest-Bearing	**41.6**	**39,132.1**	**0.21**	58.6	37,706.0	0.31
Total Interest-Bearing Deposits	**54.1**	**56,180.7**	**0.19**	79.1	55,142.1	0.29
Short-Term Borrowings	**2.5**	**4,081.4**	**0.13**	3.2	4,196.9	0.16
Senior Notes	**38.5**	**2,402.0**	**3.22**	33.8	2,122.4	3.20
Long-Term Debt	**19.5**	**1,191.0**	**3.31**	34.4	1,832.1	3.77
Floating Rate Capital Debt	**1.2**	**277.1**	**0.87**	1.5	277.0	1.09
Total Interest-Related Funds	**115.8**	**64,132.2**	**0.36**	152.0	63,570.5	0.48
Interest Rate Spread			**1.05**			1.14
Demand and Other Noninterest-Bearing Deposits		**17,184.9**			19,593.6	
Other Liabilities		**3,299.9**			3,377.2	
Stockholders Equity		**7,596.0**			7,228.0	

Total Liabilities and Stockholders Equity	**$**	**$ 92,213.0**	**%**	$	$ 93,769.3	%
Net Interest Income/Margin (FTE Adjusted)	**$ 461.7**	**$**	**1.13%**	$ 530.6	$	1.26%
Net Interest Income/Margin (Unadjusted)	**$ 446.2**	**$**	**1.09%**	$ 510.5	$	1.21%

ANALYSIS OF NET INTEREST INCOME CHANGES

DUE TO VOLUME AND RATE

	Six Months 2013/2012 Change Due To		
(In Millions)	**Average Balance**	**Rate**	**Total**
Earning Assets (FTE)	**$ (16.0)**	**$ (89.1)**	**$ (105.1)**
Interest-Related Funds	**1.3**	**(37.5)**	**(36.2)**
Net Interest Income (FTE)	**$ (17.3)**	**$ (51.6)**	**$ (68.9)**

(1) Other securities include Federal Reserve and Federal Home Loan Bank stock and certain community development investments which are classified in other assets in the consolidated balance sheet as of June 30, 2013 and 2012.

(2) Average balances include nonaccrual loans. Lease financing receivable balances are reduced by deferred income.

(3) Rate calculations are based on actual balances rather than the rounded amounts presented in the Average Consolidated Balance Sheet with Analysis of Net Interest Income.

Notes: Net Interest Income (FTE Adjusted) includes adjustments to a fully taxable equivalent basis for loans and securities. Such adjustments are based on a blended federal and state tax rate of 37.7%. Total taxable equivalent interest adjustments amounted to $15.5 million and $20.1 million for the six months ended June 30, 2013 and 2012, respectively.

Interest revenue on cash collateral positions is reported above within interest-bearing deposits with banks and within loans and leases. Interest expense on cash collateral positions is reported above within non-U.S. offices interest-bearing deposits. Related cash collateral received from and deposited with derivative counterparties is recorded net of the associated derivative contract within other assets and other liabilities, respectively.

FACTORS AFFECTING FUTURE RESULTS

This report contains statements that may be considered forward-looking, such as the statements relating to Northern Trust s financial goals, capital adequacy, dividend policy, expansion and business development plans, risk management policies, anticipated expense levels and projected profit improvements, business prospects and positioning with respect to market, demographic and pricing trends, strategic initiatives, reengineering and outsourcing activities, new business results and outlook, changes in securities market prices, credit quality including allowance levels, planned capital expenditures and technology spending, anticipated tax benefits and expenses, and the effects of any extraordinary events and various other matters (including developments with respect to litigation, other contingent liabilities and obligations, and regulation involving Northern Trust and changes in accounting policies, standards and interpretations) on Northern Trust s business and results.

Forward-looking statements are typically identified by words or phrases such as believe , expect , anticipate , intend , estimate , may increase fluctuate , plan , goal , target , strategy , and similar expressions or future or conditional verbs such as may , will , should , would , and Forward-looking statements are Northern Trust s current estimates or expectations of future events or future results. Actual results could differ materially from the results indicated by these statements because the realization of those results is subject to many risks and uncertainties including: the health of the U.S. and international economies and particularly the continuing uncertainty in Europe; the downgrade of U.S. Government issued and other securities; the health and soundness of the financial institutions and other counterparties with which Northern Trust conducts business; changes in financial markets, including debt and equity markets, that impact the value, liquidity, or credit ratings of financial assets in general, or financial assets in particular investment funds, client portfolios, or securities lending collateral pools, including those funds, portfolios, collateral pools, and other financial assets with respect to which Northern Trust has taken, or may in the future take, actions to provide asset value stability or additional liquidity; the impact of stress in the financial markets, the effectiveness of governmental actions taken in response, and the effect of such governmental actions on Northern Trust, its competitors and counterparties, financial markets generally and availability of credit specifically, and the U.S. and international economies, including special deposit assessments or potentially higher FDIC premiums; changes in foreign exchange trading client volumes, fluctuations and volatility in foreign currency exchange rates, and Northern Trust s success in assessing and mitigating the risks arising from such changes, fluctuations and volatility; decline in the value of securities held in Northern Trust s investment portfolio, particularly asset-backed securities, the liquidity and pricing of which may be negatively impacted by periods of economic turmoil and financial market disruptions; uncertainties inherent in the complex and subjective judgments required to assess credit risk and establish appropriate allowances therefor; difficulties in measuring, or determining whether there is other-than-temporary impairment in, the value of securities held in Northern Trust s investment portfolio; Northern Trust s success in managing various risks inherent in its business, including credit risk, operational risk, interest rate risk and liquidity risk, particularly during times of economic uncertainty and volatility in the credit and financial markets; geopolitical risks and the risks of extraordinary events such as natural disasters, terrorist events, war and the U.S. and other governments responses to those events; the pace and extent of

FACTORS AFFECTING FUTURE RESULTS (continued)

continued globalization of investment activity and growth in worldwide financial assets; regulatory and monetary policy developments; the impact of money market reforms; failure to obtain regulatory approvals when required, including for the use and distribution of capital; changes in tax laws, accounting requirements or interpretations and other legislation in the U.S. or other countries that could affect Northern Trust or its clients, including changes in accounting rules for fair value measurements and recognizing impairments; changes in the nature and activities of Northern Trust s competition, including increased consolidation within the financial services industry; Northern Trust s success in maintaining existing business and continuing to generate new business in its existing markets; the impact of equity markets on fee revenue; Northern Trust s success in identifying and penetrating targeted markets, through acquisition, strategic alliance or otherwise; Northern Trust s success in integrating acquisitions and strategic alliances; Northern Trust s success in addressing the complex needs of a global client base across multiple time zones and from multiple locations, and managing compliance with legal, tax, regulatory and other requirements in areas of faster growth in its businesses, especially in immature markets; Northern Trust s ability to maintain a product mix that achieves acceptable margins; Northern Trust s ability to continue to generate investment results that satisfy its clients and continue to develop its array of investment products; Northern Trust s success in generating revenue in its securities lending business for itself and its clients, especially in periods of economic and financial market uncertainty; Northern Trust s success in recruiting and retaining the necessary personnel to support business growth and expansion and maintain sufficient expertise to support increasingly complex products and services; Northern Trust s success in implementing its revenue enhancement and expense management initiatives; Northern Trust s ability, as products, methods of delivery, and client requirements change or become more complex, to continue to fund and accomplish innovation, improve risk management practices and controls, and address operating risks, including human errors or omissions, data security breach risks, pricing or valuation of securities, fraud, systems performance or defects, systems interruptions, and breakdowns in processes or internal controls; Northern Trust s success in controlling expenses, particularly in a difficult economic environment; uncertainties inherent in Northern Trust s assumptions concerning its pension plan, including discount rates and expected contributions, returns and payouts; increased costs of compliance and other risks associated with changes in regulation and the current regulatory environment, including the requirements of the Basel II and Basel III capital regime and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), areas of increased regulatory emphasis and oversight in the U.S. and other countries such as anti-money laundering, anti-bribery, and client privacy and the potential for substantial changes in the legal, regulatory and enforcement framework and oversight applicable to financial institutions in reaction to adverse financial market events, including changes pursuant to the Dodd-Frank Act that may, among other things, affect the leverage limits and risk-based capital and liquidity requirements for certain financial institutions, including Northern Trust, require those financial institutions to pay higher assessments, expose them to certain liabilities of their subsidiary depository institutions, and restrict or increase the regulation of certain activities, including foreign exchange, carried on by financial institutions, including Northern Trust; risks that evolving regulations, such as Basel II and Basel III, and potential legislation and regulations, including regulations that may be promulgated

FACTORS AFFECTING FUTURE RESULTS (continued)

under the Dodd-Frank Act, could affect required regulatory capital for financial institutions, including Northern Trust, potentially resulting in changes to the cost and composition of capital for Northern Trust; risks and uncertainties inherent in the litigation and regulatory process, including the adequacy of contingent liability, tax, and other accruals; and the risk of events that could harm Northern Trust s reputation and so undermine the confidence of clients, counterparties, rating agencies, and stockholders.

Some of these and other risks and uncertainties that may affect future results are discussed in more detail in the section of Management s Discussion and Analysis of Financial Condition and Results of Operations captioned Risk Management in the 2012 Annual Report to Shareholders (pages 47-59), in the section of the Notes to Consolidated Financial Statements in the 2012 Annual Report to Shareholders captioned Note 24 Contingent Liabilities (pages 108-110), in the sections of Item 1 Business of the 2012 Annual Report on Form 10-K captioned Government Monetary and Fiscal Policies, Competition and Regulation and Supervision (pages 2-14), and in Item 1A Risk Factors the 2012 Annual Report on Form 10-K (pages 28-38). All forward-looking statements included in this report are based upon information presently available, and Northern Trust assumes no obligation to update any forward-looking statements.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

NORTHERN TRUST CORPORATION

(In Millions Except Share Information)	June 30, 2013	December 31, 2012
Assets		
Cash and Due from Banks	**$ 4,630.9**	$ 3,752.7
Federal Funds Sold and Securities Purchased under Agreements to Resell	**531.2**	60.8
Interest-Bearing Deposits with Banks	**17,838.5**	18,803.5
Federal Reserve Deposits and Other Interest-Bearing	**6,765.7**	7,619.7
Securities		
Available for Sale	**27,476.5**	28,643.5
Held to Maturity (Fair value of $2,767.8 and $2,394.8)	**2,766.1**	2,382.0
Trading Account	**11.0**	8.0
Total Securities	**30,253.6**	31,033.5
Loans and Leases		
Commercial	**12,619.6**	12,897.2
Personal	**16,190.8**	16,607.3
Total Loans and Leases (Net of unearned income of $278.3 and $297.9)	**28,810.4**	29,504.5
Allowance for Credit Losses Assigned to Loans and Leases	**(290.4)**	(297.9)
Buildings and Equipment	**454.5**	469.9
Client Security Settlement Receivables	**1,486.2**	2,049.1
Goodwill	**530.4**	537.8
Other Assets	**6,225.0**	3,930.2
Total Assets	**$ 97,236.0**	$ 97,463.8
Liabilities		
Deposits		
Demand and Other Noninterest-Bearing	**$ 14,973.5**	$ 20,519.0
Savings and Money Market	**14,113.0**	15,189.7
Savings Certificates and Other Time	**2,001.5**	2,466.1
Non U.S. Offices Noninterest-Bearing	**4,748.5**	3,512.8
Interest-Bearing	**40,698.4**	39,720.2
Total Deposits	**76,534.9**	81,407.8
Federal Funds Purchased	**2,283.3**	780.2
Securities Sold Under Agreements to Repurchase	**777.7**	699.8
Other Borrowings	**1,949.2**	367.4
Senior Notes	**2,398.3**	2,405.8
Long-Term Debt	**980.9**	1,421.6
Floating Rate Capital Debt	**277.1**	277.0
Other Liabilities	**4,310.0**	2,577.2
Total Liabilities	**89,511.4**	89,936.8
Stockholders Equity		
Common Stock, $1.66 2/3 Par Value; Authorized 560,000,000 shares; Outstanding shares of 240,137,628 and 238,914,988	**408.6**	408.6
Additional Paid-In Capital	**1,014.3**	1,012.7
Retained Earnings	**6,909.2**	6,702.7
Accumulated Other Comprehensive Loss	**(350.7)**	(283.0)
Treasury Stock (5,033,896 and 6,256,536 shares, at cost)	**(256.8)**	(314.0)

Total Stockholders Equity	**7,724.6**	7,527.0
Total Liabilities and Stockholders Equity	**$ 97,236.0**	$ 97,463.8

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) **NORTHERN TRUST CORPORATION**

(In Millions Except Share Information)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Noninterest Income				
Trust, Investment and Other Servicing Fees	**$ 657.3**	$ 605.8	**$ 1,288.0**	$ 1,181.0
Foreign Exchange Trading Income	**71.3**	59.4	**130.8**	121.3
Treasury Management Fees	**17.1**	17.3	**33.9**	34.7
Security Commissions and Trading Income	**18.3**	17.4	**36.6**	35.7
Other Operating Income	**36.3**	34.0	**61.1**	72.6
Investment Security Gains (Losses), net (Note)	**0.1**	0.5	**0.3**	(1.9)
Total Noninterest Income	**800.4**	734.4	**1,550.7**	1,443.4
Net Interest Income				
Interest Income	**275.3**	321.5	**562.0**	662.5
Interest Expense	**55.2**	67.4	**115.8**	152.0
Net Interest Income	**220.1**	254.1	**446.2**	510.5
Provision for Credit Losses	**5.0**	5.0	**10.0**	10.0
Net Interest Income after Provision for Credit Losses	**215.1**	249.1	**436.2**	500.5
Noninterest Expense				
Compensation	**326.9**	313.8	**647.2**	635.4
Employee Benefits	**64.2**	64.9	**127.5**	133.0
Outside Services	**136.2**	133.7	**266.1**	261.9
Equipment and Software	**92.1**	99.4	**183.5**	190.2
Occupancy	**43.5**	42.6	**86.7**	84.4
Other Operating Expense	**66.8**	62.9	**147.6**	136.0
Total Noninterest Expense	**729.7**	717.3	**1,458.6**	1,440.9
Income before Income Taxes	**285.8**	266.2	**528.3**	503.0
Provision for Income Taxes	**94.7**	86.6	**173.2**	162.2
Net Income	**$ 191.1**	$ 179.6	**$ 355.1**	$ 340.8
Net Income Applicable to Common Stock	**$ 191.1**	$ 179.6	**$ 355.1**	$ 340.8
Per Common Share				
Net Income Basic	**$ 0.78**	$ 0.73	**$ 1.46**	$ 1.39
Diluted	**0.78**	0.73	**1.45**	1.39
Average Number of Common Shares Outstanding Basic	**239,738,592**	240,900,839	**239,454,653**	240,995,466
Diluted	**241,040,681**	241,367,982	**240,617,300**	241,462,039

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) **NORTHERN TRUST CORPORATION**

(In Millions)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net Income	**191.1**	$ 179.6	**355.1**	$ 340.8
Other Comprehensive Income (Net of Tax and Reclassifications)				
Net Unrealized Gains (Losses) on Securities Available for Sale	**(81.5)**	11.7	**(80.2)**	31.7
Net Unrealized Gains (Losses) on Cash Flow Hedges	**2.1**	(8.9)	**(3.1)**	2.4
Foreign Currency Translation Adjustments	**5.8**	(5.9)	**1.6**	9.9
Pension and Other Postretirement Benefit Adjustments	**7.0**	5.3	**14.0**	27.5
Other Comprehensive Income	**(66.6)**	2.2	**(67.7)**	71.5
Comprehensive Income	**124.5**	$ 181.8	**287.4**	$ 412.3
Note: Changes in Other-Than-Temporary-Impairment (OTTI) Losses	**$**	$	**$**	$ (3.1)
Noncredit-related OTTI Losses Recorded in/(Reclassified from) OCI				
Other Security Gains (Losses), net	**0.1**	0.5	**0.3**	1.2
Investment Security Gains (Losses), net	**$ 0.1**	$ 0.5	**$ 0.3**	$ (1.9)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

NORTHERN TRUST CORPORATION

(In Millions)	Six Months Ended June 30, 2013	2012
Common Stock		
Balance at January 1 and June 30	**$ 408.6**	$ 408.6
Additional Paid-in Capital		
Balance at January 1	**1,012.7**	977.5
Treasury Stock Transactions Stock Options and Awards	**(38.5)**	(23.4)
Stock Options and Awards Amortization	**39.2**	41.5
Stock Options and Awards Tax Benefits	**0.9**	(0.3)
Balance at June 30	**1,014.3**	995.3
Retained Earnings		
Balance at January 1	**6,702.7**	6,302.3
Net Income	**355.1**	340.8
Dividends Declared Common Stock	**(148.6)**	(140.9)
Balance at June 30	**6,909.2**	6,502.2
Accumulated Other Comprehensive Income (Loss)		
Balance at January 1	**(283.0)**	(345.6)
Net Unrealized Gains (Losses) on Securities Available for Sale	**(80.2)**	31.7
Net Unrealized Gains (Losses) on Cash Flow Hedges	**(3.1)**	2.4
Foreign Currency Translation Adjustments	**1.6**	9.9
Pension and Other Postretirement Benefit Adjustments	**14.0**	27.5
Balance at June 30	**(350.7)**	(274.1)
Treasury Stock		
Balance at January 1	**(314.0)**	(225.5)
Stock Options and Awards	**147.0**	34.2
Stock Purchased	**(89.8)**	(50.4)
Balance at June 30	**(256.8)**	(241.7)
Total Stockholders Equity at June 30	**$ 7,724.6**	$ 7,390.3

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) **NORTHERN TRUST CORPORATION**

(In Millions)	Six Months Ended June 30, 2013	2012
Cash Flows from Operating Activities:		
Net Income	**$ 355.1**	$ 340.8
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Investment Security (Gains) Losses, net	**(0.3)**	1.9
Amortization and Accretion of Securities and Unearned Income	**19.5**	(35.2)
Provision for Credit Losses	**10.0**	10.0
Depreciation on Buildings and Equipment	**46.4**	45.1
Amortization of Computer Software	**99.6**	90.1
Amortization of Intangibles	**10.3**	9.8
Pension Plan Contribution	**(16.4)**	(12.3)
Change in Receivables	**94.5**	(21.9)
Change in Interest Payable	**(12.2)**	(1.5)
Change in Collateral with Derivative Counterparties, net	**(1,902.8)**	(208.2)
Other Operating Activities, net	**14.6**	320.7
Net Cash Provided by (Used in) Operating Activities	**(1,281.7)**	539.3
Cash Flows from Investing Activities:		
Net Change in Federal Funds Sold and Securities Purchased under Agreements to Resell	**(220.4)**	98.8
Change in Interest-Bearing Deposits with Banks	**169.4**	(1,746.0)
Net Change in Federal Reserve Deposits and Other Interest-Bearing Assets	**853.8**	5,015.1
Purchases of Securities Held to Maturity	**(3,671.6)**	(1,187.8)
Proceeds from Maturity and Redemption of Securities Held to Maturity	**3,256.2**	200.2
Purchases of Securities Available for Sale	**(3,729.4)**	(12,704.1)
Proceeds from Sale, Maturity and Redemption of Securities Available for Sale	**4,761.3**	15,596.7
Change in Loans and Leases	**646.5**	