

NORTHERN TRUST CORP
Form 10-K
February 24, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

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)
50 South La Salle Street
Chicago, Illinois
(Address of principal executive offices)
36-2723087
(I.R.S. Employer
Identification No.)
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 |

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.

(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

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The aggregate market value of the Common Stock as of June 30, 2011 (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, 2011 as reported by The Nasdaq Stock Market, held by non-affiliates was approximately \$10,768,957,505. 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 17, 2012, 241,114,976 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, 2011 Part I and Part II

2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held on April 17, 2012 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, asset management, fiduciary and banking solutions for corporations, institutions, families and 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 a network of offices in 18 U.S. states, Washington, D.C., and 16 international locations in North America, Europe, the Middle East, and the Asia Pacific region. At December 31, 2011, the Corporation had consolidated total assets of \$100.2 billion and stockholders' equity of \$7.1 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, 2011, the Bank had consolidated assets of \$99.8 billion and common equity capital of \$6.9 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.

SIGNIFICANT DEVELOPMENTS

On June 1, 2011, Northern Trust acquired the fund administration, investment operations outsourcing and custody business of the Bank of Ireland Securities Services (BoISS) from the Bank of Ireland Group. With this acquisition, Northern Trust's combined assets under custody and administration in Ireland increased by approximately \$80 billion as of the closing. BoISS, now known as Northern Trust Securities Services (Ireland) Limited, provides specialized services to a broad range of funds, including money-market, multi-manager, exchange-traded funds, and property funds, serving both the on-shore and off-shore markets.

On July 29, 2011, Northern Trust acquired Omnium LLC (Omnium), a leading hedge fund administrator with approximately \$73 billion in assets under administration as of the closing. Omnium, now known as Northern Trust Hedge Fund Services LLC, provides world-class, scalable technology and dedicated expertise to serve hedge funds and large institutional investors with complex portfolios. The business provides comprehensive administrative and middle-office services including trade processing, valuation, real-time reporting, cash management, accounting, collateral management and investor servicing.

On October 1, 2011, Northern Trust merged two of its bank subsidiaries, Northern Trust, NA and Northern Trust Bank, FSB, into The Northern Trust Company. Refer to the "Regulation and Supervision" section (page 3) of this Annual Report on Form 10-K.

BUSINESS UNITS

Under the leadership of Frederick H. Waddell, the Chairman of the Board 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, 2011. 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, 2011, you are urged to review the section entitled "Consolidated Results of Operations" on pages 20 through 29 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, 2011, which is incorporated herein by reference.

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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 & Institutional Services

C&IS is a leading global provider of asset servicing, securities lending, brokerage, banking and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, sovereign wealth and government funds. Asset servicing and related services encompass a full range of industry leading capabilities including but not limited to: global master trust and custody, trade settlement, and reporting; fund administration; cash management; investment risk and performance analytical services; investment operations outsourcing; and transition management and commission recapture. Client relationships are managed through the Bank and the Bank's and the Corporation's other subsidiaries, including support from international locations in North America, Europe, the Middle East, and the Asia Pacific region. C&IS also executes related foreign exchange transactions from offices located in the United States, United Kingdom, and Singapore. During 2011, C&IS completed the acquisitions of BoISS and Omnium, which further strengthen C&IS' competitive position and client franchises in the offshore fund and hedge fund administration marketplaces. At December 31, 2011, total C&IS assets under custody were \$3.9 trillion and assets under management were \$489.2 billion.

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. The merger of the Corporation's bank subsidiaries described in the Regulation and Supervision section of this Annual Report on Form 10-K will benefit our clients by enabling them to bank in any Northern Trust location and will allow Northern Trust to realize operational efficiencies.

PFS is one of the largest providers of personal trust services in the United States, with \$385.2 billion in assets under custody and \$173.7 billion in assets under management at December 31, 2011. PFS services are delivered through a network of offices in 18 U.S. states and Washington, D.C., as well as offices in London and Guernsey.

Northern Trust Global Investments

NTGI, through various subsidiaries of the Corporation, provides a broad range of asset management and related services and other products to clients around the world, including clients of C&IS and PFS. Clients include institutional and individual separately managed accounts, bank common and collective funds, registered investment companies, exchange traded funds, 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 advisory services. NTGI's activities also include overlay services and other risk management 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.

Corporate Financial Management Group

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

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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, 2011 on pages 50-55. 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.

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 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 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, as amended (BHCA). 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, 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 (DIF) of the Federal Deposit Insurance Corporation (FDIC), and the banking system as a whole, not for the protection of stockholders or other non-depository creditors.

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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, the Corporation's insured depository institution subsidiary, the Bank, 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 (CRA). In addition, the Corporation must also be and remain well-capitalized and well managed in order to retain its status as a financial holding company. 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, continue certain activities, or make acquisitions other than those permitted generally for bank holding companies.

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 agencies. The Bank, as an Illinois banking corporation, is also subject to Illinois state laws and regulations and to examination and supervision 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.

On October 1, 2011, the Corporation merged its national bank subsidiary, Northern Trust, NA, and federal savings bank, Northern Trust Bank, FSB, with and into the Bank, in order to simplify the Corporation's organization, reduce costs, consolidate capital, and enhance client experience.

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 state banking departments in Connecticut, Delaware and California. 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

Federal banking law has established a system of federal and state supervision and 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 relates to the application of federal securities laws and SEC oversight of some bank securities activities. Generally, banks may conduct securities activities without broker-dealer

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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 Investment Advisers Act of 1940 requires 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 federal law.

Non-U.S. Regulation

The increasingly important activities of the Corporation's subsidiaries outside the U.S. are subject to regulation and supervision 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 subject to regulation by and supervision of the Financial Services Authority (FSA), and are authorized to conduct such activities pursuant to the U.K. Financial Services and Markets Act of 2000. 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 registered employees. The non-U.S. subsidiaries of the Corporation and branches of the Bank outside the U.S. are subject to the laws and regulatory authorities of the jurisdictions in which they operate. Additionally, the Corporation'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, 2011, each of the Corporation's non-U.S. banking subsidiaries had capital ratios above their specified minimum requirements. As is the case in the U.S., European regulatory authorities are introducing regulatory change in a wide variety of areas. For example, European regulators have introduced through the Undertaking for Collective Investment in Transferable Securities (UCITS) IV Directive new requirements that directly and indirectly affect depositary, fund management, and fund administration businesses. European authorities have begun the process of implementing the Alternative Investment Fund Managers Directive which will affect the duties of depositaries, European Union (EU) and non-EU fund managers and non-UCITS funds. European regulatory authorities are also putting forward proposals through the Markets in Financial Instruments Directive 2, European Market Infrastructure Regulation and Market Abuse Regulation proposals which deal with derivatives trading and clearing, pre and post trade transparency, investor protection issues and overall market orderliness. These actual and proposed regulatory changes have impacted, and will impact, the business that the Bank's and its non-U.S. subsidiaries conduct in the European Union.

The Dodd-Frank Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law. The Dodd-Frank Act is having a broad impact on the financial services industry and imposes significant new regulatory and compliance requirements, including the designation of certain financial companies as systemically important financial institutions (SIFIs), the imposition of increased capital, leverage, and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness within, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework of authority to conduct systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council (FSOC), the Federal Reserve Board, the Office of the Comptroller of the Currency (OCC), and the FDIC.

The following items provide a brief description of certain provisions of the Dodd-Frank Act that are most relevant to the Corporation and its banking subsidiaries.

Heightened Prudential Requirements. The Dodd-Frank Act imposes heightened prudential requirements on U.S. bank holding companies with at least \$50 billion in total consolidated assets, including the Corporation, and on large financial companies and nonbank financial companies that the FSOC determines should be subject to Federal Reserve Board supervision. These companies are referred to as systemically important financial institutions, or SIFIs. The heightened prudential standards include more stringent risk-based capital, leverage, liquidity and risk-management requirements than those applied to other bank holding companies or other financial companies. The Federal Reserve Board and the FSOC will also have the discretion to require these companies to limit their short-term debt, to issue contingent capital instruments, and to provide enhanced public disclosures. SIFIs will also be subject to periodic stress tests to evaluate capital adequacy and liquidity in adverse economic conditions. Heightened prudential standards may be applied on a graduated basis using the factors included in the FSOC systemic determination standards. On December 20, 2011, the Federal Reserve Board requested public comments on proposed rules that would implement the enhanced prudential standards required to be established under section 165 of the Dodd-Frank Act and the early remediation requirements established under section 166 of the Dodd-Frank Act. In addition, covered companies, including the Corporation, must prepare and file credit exposure reports and limit

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their aggregate credit exposures (broadly defined) to any unaffiliated company to 25 percent of the capital stock and surplus of the covered company. On October 17, 2011, the Federal Reserve Board approved a final joint rule, implementing the requirement of the Dodd-Frank Act that SIFIs periodically report the plan of such company for rapid and orderly resolution in the event of material financial distress or failure to the Federal Reserve Board, the FDIC and the FSOC. The final rule became effective on November 30, 2011. Under the rules, a SIFI will be required to prepare a so-called living will, or resolution plan, for resolving its affairs under the U.S. Bankruptcy Code in the event that it experiences material financial distress. If a SIFI is in danger of becoming insolvent, the FDIC may be appointed receiver pursuant to the Dodd-Frank Act's orderly liquidation authority (discussed below). In such case, the Secretary of the Treasury will use the SIFI's living will to determine whether resolution of the institution's affairs is best achieved under the U.S. Bankruptcy Code or the orderly liquidation authority. These requirements, depending upon how they are implemented, could increase capital requirements and compliance costs, and could adversely affect certain activities, of covered companies, including the Corporation.

Mortgage Loan Origination and Risk Retention. The Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and thrifts. Most significantly, the new standards prohibit the Corporation's subsidiaries from making a residential mortgage loan without verifying a borrower's ability to repay, limit the total points and fees that the Corporation's subsidiaries and/or a mortgage broker may charge on conforming and jumbo loans to 3% of the total loan amount, and prohibit certain prepayment penalty practices. Also, the Dodd-Frank Act, in conjunction with the Federal Reserve Board's final rule on loan originator compensation issued August 16, 2010 and effective April 1, 2011, prohibits certain compensation payments to loan originators and steering consumers to loans not in their interest because it will result in greater compensation for a loan originator. These standards will result in a myriad of new system, pricing, and compensation controls in order to ensure compliance and to decrease repurchase requests and foreclosure defenses.

Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds. The Dodd-Frank Act adopts the so-called Volcker Rule which, subject to a transition period and certain exceptions, will become effective on July 21, 2012 and prohibits a banking entity from engaging in proprietary trading, which is defined as engaging as principal for the trading account of the banking entity in securities or other instruments, as determined by federal regulators. Certain forms of proprietary trading may qualify as permitted activities, and thus not be subject to the ban on proprietary trading, such as market-making-related activities, risk-mitigating hedging activities, and trading in U.S. government or agency obligations, certain other U.S., state or municipal obligations, and the obligations of Fannie Mae, Freddie Mac or Ginnie Mae. Additionally, subject to a transition period and certain exceptions, the rule restricts a banking entity from sponsoring or investing in certain private funds. While a banking entity may organize and offer certain private funds if certain conditions are met, it may not acquire or retain an equity partnership or other ownership interest in such private funds except for certain limited investments. A banking entity that sponsors or invests in certain private funds is also restricted from providing credit or other support to the fund or permitting the fund to use the name of the bank. After the conformance period commencing July 21, 2012, the Volcker Rule prohibitions and restrictions will apply to banking entities, including the Corporation, the Bank and their affiliates, unless an exception applies. In October 2011, the OCC, Federal Reserve Board, the FDIC, and the SEC, in consultation with the Commodity Futures Trading Commission (CFTC), jointly released a notice of proposed rulemaking implementing the Volcker Rule limitations of the Dodd-Frank Act. In light of the complexity of the proposed regulation and the likelihood that a substantial number of comments will be submitted, the Corporation cannot fully assess the impact of the Volcker Rule on its business until final rules and regulations are adopted.

Swaps and Other Derivatives. Title VII of the Dodd-Frank Act (Title VII) imposes a new regulatory structure on the over-the-counter derivatives market, including requirements for clearing, exchange trading, capital, margin, reporting, and recordkeeping. In addition, certain swaps and other derivatives activities are required to be pushed out of insured depository institutions and conducted in separately capitalized non-bank affiliates. Title VII also will require certain persons to register as a major swap participant or a swap dealer. The CFTC, SEC and other U.S. regulators are in the process of adopting regulations to implement Title VII. It is anticipated that this rulemaking process will further clarify, among other things, reporting and recordkeeping obligations, margin and capital requirements, the scope of registration requirements, and what swaps are required to be centrally cleared and exchange-traded. Rules will also be issued to enhance the oversight of clearing and trading entities.

Expanded FDIC Resolution Authority. While insured depository institutions have long been subject to the FDIC's resolution process, the Dodd-Frank Act creates a new mechanism for the FDIC to conduct the orderly liquidation of systematically important financial institutions, including the Corporation. Upon certain findings being made, the FDIC may be appointed receiver for a covered financial company, and would conduct an orderly liquidation of the

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entity. The FDIC liquidation process is modeled on the existing Federal Deposit Insurance Act (FDIA) bank resolution process, and generally gives the FDIC more discretion than in the traditional non-bank bankruptcy context. On July 6, 2011, the FDIC approved a final rule, which became effective on August 15, 2011, implementing the orderly liquidation authority.

Consumer Financial Protection. The Dodd-Frank Act establishes a new independent Consumer Financial Protection Bureau (CFPB) within the Federal Reserve System. The CFPB is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The CFPB has rulemaking authority over many of the statutes governing financial products and services offered to consumers. For banking organizations with assets of \$10 billion or more, including the Bank, the CFPB has exclusive rule making and examination, and primary enforcement, authority under federal consumer financial laws. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB. This new federal and state regulatory framework may result in significant new regulatory requirements applicable to the Corporation and its bank subsidiaries in respect of consumer financial products and services, with potentially significant increases in compliance costs.

Incentive Compensation Arrangements. The Dodd-Frank Act requires federal regulators to prescribe regulations or guidelines regarding incentive-based compensation practices at certain large financial institutions. On April 14, 2011, federal regulators including the FDIC, the Federal Reserve Board and the SEC, issued a proposed rule which, among other things, would require certain executive officers of covered financial institutions with total consolidated assets of \$50 billion or more, including the Corporation, to defer at least 50% of their annual incentive-based compensation for a minimum of three years. The comment period on the proposed rule closed May 31, 2011, no final rule has been issued to date.

The requirements of the Dodd-Frank Act will be implemented pursuant to regulations over the course of several months or years. Given the uncertainty associated with future regulatory actions, the full impact such requirements will have on the Corporation's operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of the Corporation's banking subsidiaries, require changes to certain of the Corporation's business practices, impose upon the Corporation more stringent capital, liquidity and leverage requirements, and could adversely affect certain of the Corporation's business activities. These changes may also require the Corporation and its subsidiaries to invest significant management attention and resources to evaluate and make any changes necessary to comply with new requirements.

Holding Company Support and Cross-Guarantees under the FDIA

Under the 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.

The Dodd-Frank Act amends the FDIA to obligate the Federal Reserve Board to require bank holding companies and savings and loan holding companies to serve as a source of financial strength for any subsidiary depository institution. The appropriate federal banking agency for such a depository institution may require reports from companies that own the insured depository institution to assess their ability to serve as a source of strength and to enforce compliance with the source-of-strength requirements. The term source of financial strength is defined as the ability of a company to provide financial assistance to its insured depository institution subsidiaries in the event of financial distress at such subsidiaries. Under this requirement, the Corporation in the future could be required to provide financial assistance to the Bank should the Bank experience financial distress. The Dodd-Frank Act statutory requirements became effective on July 21, 2011. Although the appropriate federal banking agencies were required by the Dodd-Frank Act to jointly adopt implementing regulations by July 21, 2011, to date no final regulations have been adopted.

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).

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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 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, without Federal Reserve Board approval, a bank holding company cannot pay cash dividends that exceed its net income, and cash dividends cannot 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 dividends if the Bank is undercapitalized or if the payment of the dividends would cause the Bank 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. The Dodd-Frank Act and Basel III (as described below) impose additional restrictions on the ability of banking institutions to pay dividends.

On November 22, 2011, the Federal Reserve Board issued a final rule implementing the requirement of the Dodd-Frank Act that bank holding companies domiciled in the U.S. with total consolidated assets of \$50 billion or more, including the Corporation, submit annual capital plans to the Federal Reserve Board for review. Under the final rule, the Federal Reserve Board will annually evaluate institutions' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions, such as dividend payments or stock repurchases. The Federal Reserve Board will approve dividend increases or other capital distributions only for companies whose capital plans are approved by supervisors and are able to demonstrate sufficient financial strength to operate as successful financial intermediaries under stressed macroeconomic and financial market scenarios, after making the desired capital distributions. In addition to issuing the final rule, the Federal Reserve Board launched the 2012 review by issuing instructions outlining the information the Federal Reserve Board is seeking from the covered firms, including the Corporation, and the analysis the Federal Reserve Board will do on the capital plans. The level of detail and analysis expected in each institution's capital plan will vary based on the company's size, complexity, risk profile, and scope of operations. In January 2012, the Corporation submitted its first capital plan to the Federal Reserve Board.

Capital Adequacy Requirements

The regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies (including the Bank and the Corporation) are required to maintain minimum capital relative to the amount and types of assets they hold. The final supervisory determination on an institution's capital adequacy is based on the regulator's assessment of numerous factors.

The Federal Reserve Board has established risk-based and leverage capital guidelines for bank holding companies, including the Corporation. The current risk-based capital guidelines that apply to the Corporation and the Bank, commonly referred to as Basel I, are based upon the 1988 capital accord of the International Basel Committee on Banking Supervision (Basel Committee), a committee of central banks and bank supervisors, as implemented by the Federal Reserve Board. As discussed further below, the federal bank regulatory agencies have adopted new risk-based capital guidelines for core banks, including the Corporation, based upon the Revised Framework for the International Convergence of Capital Measurement and Capital Standards (Basel II) issued by the Basel Committee in November 2005.

Table of Contents**Basel I**

Under the existing Basel I-based guidelines, the minimum ratio of total capital to risk-weighted assets (which are primarily the credit risk equivalents of balance sheet assets and certain off-balance sheet items such as standby letters of credit, but also include a nominal market risk equivalent balance related to foreign exchange and debt/equity trading activities) is eight percent. At least half of the total capital must be composed of tier 1 capital, which includes 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. 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 (as defined for regulatory purposes), net of goodwill and certain other intangible assets.

The federal banking regulators have also established risk-based and leverage capital guidelines that FDIC-insured depository institutions 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 the Bank, 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, 2011 | | | |
|---|-------------------------------|--------------------------|---------------------------|
| | Tier 1 Capital | Total Capital | Leverage Ratio |
| Northern Trust Corporation | 12.5% | 14.2% | 7.3% |
| The Northern Trust Company | 11.7 | 13.8 | 6.8 |
| Minimum required ratio | 4.0 | 8.0 | 3.0 |
| Well capitalized minimum ratio | 6.0 | 10.0 | 5.0 |

Basel II

As mentioned above, the Corporation also is subject to the Basel II framework for risk-based capital adequacy. The U.S. bank regulatory agencies have issued final rules with respect to implementation of the Basel II framework. Under the final Basel II rules, the Corporation is one of a small number of core banking organizations. As a result, the Corporation and the Bank 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 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.

The Corporation has for several years been preparing to comply with the advanced approaches of the Basel II framework. In order to implement the rules, a core banking organization, such as the Corporation, was required to adopt (and the Corporation did adopt) an implementation plan and satisfactorily complete a parallel run, in which it calculated capital requirements under both the Basel II rules and regulations effective prior to the adoption of Basel II. In the U.S., the Corporation entered the parallel run in April 2010. The Dodd-Frank Act requires the U.S. banking regulatory agencies to amend their capital rules to provide that minimum capital required under the Basel I-based rules will act as a floor for minimum capital requirements calculated in accordance with the U.S. Basel II rules. Accordingly, the transition for core banks to calculations only under the Basel II-based requirements is being eliminated.

The Corporation is also addressing issues related to implementation timing differences between the U.S. and other jurisdictions, to ensure that the Corporation and its depository institution 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 the standardized approach for credit risk and the basic indicator approach for operational risk in calculating minimum regulatory capital requirements.

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Basel III

On December 16, 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, known as Basel III. The Basel III calibration and phase-in arrangements were previously endorsed by the Seoul G20 Leaders Summit in November 2010, and will be subject to individual adoption by member nations, including the U.S. Under these standards, when fully phased-in on January 1, 2019, banking institutions will be required to satisfy three risk-based capital ratios:

A tier 1 common equity ratio of at least 7.0%, inclusive of 4.5% minimum tier 1 common equity ratio, net of regulatory deductions, and the new 2.5% capital conservation buffer of common equity to risk-weighted assets;

A tier 1 capital ratio of at least 8.5%, inclusive of the 2.5% capital conservation buffer; and

A total capital ratio of at least 10.5%, inclusive of the 2.5% capital conservation buffer.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a tier 1 common equity ratio above the minimum but below the conservation buffer may face constraints on dividends, equity repurchases, and compensation based on the amount of such shortfall. The Basel Committee also announced that a countercyclical buffer of 0% to 2.5% of common equity or other loss-absorbing capital will be implemented according to national circumstances as an extension of the conservation buffer during periods of excess credit growth.

Basel I and Basel II do not include a leverage requirement as an international standard. However, Basel III introduces a non-risk adjusted tier 1 leverage ratio of 3%, based on a measure of total exposure rather than total assets and new liquidity standards.

The increases to the minimum common equity and tier 1 capital ratios will be phased-in over two years beginning on January 1, 2013, with the full increases taking effect on January 1, 2015. This will be followed by a three-year phase-in, beginning on January 1, 2016, of the capital conservation buffer, with the full 2.5% buffer requirement taking effect on January 1, 2019.

Basel III also provides for the deduction of certain assets from capital (deferred tax assets, mortgage servicing rights, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of other comprehensive income in capital, and increased capital for counterparty credit risk. The phase-in period for the capital deductions is proposed to occur in 20 percent increments starting January 1, 2014, with full implementation by January 1, 2018.

On November 4, 2011 the Basel Committee issued its final rule setting forth proposals to apply a new tier 1 common equity surcharge to certain designated global systemically important banks (GSIBs). GSIBs subject to the surcharge would be identified by application of a quantitative indicator-based approach for evaluating systemic risk that weights both categories and indicators of size, substitutability, interconnectedness, cross-jurisdictional activity, and complexity. Also on November 4, 2011, using the Basel Committee's methodology, the Financial Stability Board (FSB) and the Basel Committee identified an initial group of 29 financial institutions determined to be GSIBs. Although the Corporation was not included on the list, the group of GSIBs will be updated annually and published by the FSB each November. The GSIBs equity surcharge provisions, like the rest of Basel III, are subject to interpretation and implementation by U.S. regulatory authorities.

Under the Dodd-Frank Act, for SIFIs, including the Corporation, the Federal Reserve Board may increase the capital buffer. The purpose of these new capital requirements is to ensure financial institutions are better capitalized to withstand periods of unfavorable financial and economic conditions. The Dodd-Frank Act also requires the establishment of more stringent prudential standards by requiring the federal banking agencies to adopt capital and liquidity requirements which address the risks that the activities of an institution pose to the institution and the public and private stakeholders, including risks arising from certain enumerated activities. In particular, the Dodd-Frank Act excludes trust preferred securities issued on or after May 19, 2010 from tier 1 capital. For depository institution holding companies with total consolidated assets of more than \$15 billion at December 31, 2009, trust preferred securities issued before May 19, 2010 will be phased-out of tier 1 capital over a three-year period.

The federal banking agencies will likely implement changes to the current capital adequacy standards applicable to the Corporation and the Bank in light of Basel III. If adopted by federal banking agencies, Basel III could lead to significantly higher capital requirements and more restrictive leverage and liquidity ratios. The ultimate impact of the new capital and liquidity standards on the Corporation and the Bank is currently being

reviewed and will depend on a number of

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factors, including the rulemaking and implementation by the U.S. banking regulators. The Corporation cannot determine the ultimate effect that potential legislation, or subsequent regulations, if enacted, would have upon the Corporation's earnings or financial position. In addition, significant questions remain as to how the capital and liquidity mandates of the Dodd-Frank Act will be integrated with the requirements of Basel III. However, as the Corporation currently understands Basel III, it believes its capital strength, balance sheet and business model leave it well positioned for Basel III.

Prompt Corrective Action

Under the FDIA, the federal banking agencies must take prompt corrective action 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. A depository institution is deemed to be well capitalized if the banking institution has a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 5.0% or greater, and the institution is not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific level for any capital measure. 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 banking institution that is undercapitalized is required to submit a capital restoration plan. 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, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver. As of December 31, 2011, the Corporation and the Bank exceeded the required capital ratios for classification as well capitalized.

Examination and Enforcement Powers of the Federal Banking Agencies

A principal objective of the U.S. bank regulatory system is to protect depositors by ensuring the financial safety and soundness of banks. To that end, the banking regulators have broad regulatory, examination, and 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. 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;

materially fails to implement an accepted capital restoration plan; or

fails to submit an acceptable resolution plan.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject the Bank, the Corporation, and other subsidiaries of the Corporation, or their officers, directors, and institution-affiliated parties to the remedies described above and other sanctions.

Restrictions on Transactions with Affiliates and Insiders

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FDIC-insured banks, including the Corporation's bank subsidiaries, are subject to restrictions under Sections 23A and 23B of the Federal Reserve Act (as implemented by Regulation W), which govern transactions between FDIC-insured banks and any affiliated entity, whether that entity is the bank's parent holding company, a holding company affiliate of the bank or a subsidiary of the bank. Regulation W restrictions apply to certain covered transactions, including extensions of credit, issuance of guarantees, investments or asset purchases. In general, these restrictions require that any extensions of credit must be fully secured with qualifying collateral and are limited, as to any one of the Corporation or such non-bank affiliates, to 10% of the lending bank's capital stock and surplus, and, as to the Corporation and all such non-bank affiliates in

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the aggregate, to 20% of such lending bank's capital stock and surplus. These restrictions, other than the 10% of capital limit on covered transactions with any one affiliate, are also applied to transactions between banks and their financial subsidiaries. Furthermore, these transactions must be on terms and conditions that are, or in good faith would be, offered to nonaffiliated companies (i.e., at arm's length).

The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Sections 23A and 23B of the Federal Reserve Act, including an expansion of the definition of covered transactions to include credit exposures related to derivatives, repurchase agreements and securities lending arrangements, and an increase in the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. The definition of affiliate was expanded to include any investment fund to which the Corporation or an affiliate serves as an investment adviser. The ability of the Federal Reserve Board to grant exemptions from these restrictions was also narrowed, including by requiring coordination with other bank regulators. In addition, the provision in Section 23A that permits a bank to engage in covered transactions with a financial subsidiary of the bank in an amount greater than 10% (but less than 20%) of the bank's capital and surplus has been eliminated.

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 (including credit exposures related to derivatives, repurchase agreements and securities lending arrangements) 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. The Dodd-Frank Act enhanced these restrictions and also imposed restrictions on the purchase or sale of assets between banking institutions and insiders.

Anti-Money Laundering, Anti-Terrorism Legislation, and Office of Foreign Assets Control

Under federal law, including the Bank Secrecy Act, the USA PATRIOT Act, and the International Money Laundering Abatement and Anti-Terrorist Financing Act, financial institutions (including insured depository institutions, broker-dealers and certain other financial institutions) must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with non-U.S. financial institutions and non-U.S. customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by financial institutions. Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for banking mergers and acquisitions. The regulatory authorities have imposed cease and desist orders and civil money penalty sanctions against institutions found to be violating these obligations.

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for requiring that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If the Corporation or the Bank finds a name on any transaction, account or wire transfer that is on an OFAC list, the Corporation or the Bank must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

Many other countries have imposed similar laws and regulations that apply to the Corporation's non-U.S. offices. The Corporation has established policies and procedures to comply with these laws and the related regulations in all relevant jurisdictions.

Deposit Insurance and Assessments

FDIC-insured depository institutions are required to pay deposit insurance assessments to the FDIC. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on the level of supervisory concern the institution poses to the regulators, and the institution's capital levels and other risk measures. The FDIC recently raised assessment rates to increase funding for the DIF, which is currently under-funded.

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The Dodd-Frank Act makes permanent the general \$250,000 deposit insurance limit for insured deposits. In addition, federal deposit insurance for the full net amount of deposits in noninterest bearing transaction accounts was extended to January 1, 2013 for all insured banks.

The Dodd-Frank Act increased the minimum designated reserve ratio of the DIF from 1.15% to 1.35% of the estimated amount of total insured deposits effective September 30, 2010, eliminated the upper limit for the reserve ratio designated by the FDIC each year, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. On December 14, 2010, the FDIC raised the minimum designated reserve ratio of the DIF to 2%. The ratio is higher than the minimum reserve ratio of 1.35% as set by the Dodd-Frank Act.

Effective April 1, 2011, the FDIC implemented a rule on Assessments, Dividends, Assessment Base and Large Bank Pricing. The final rule, mandated by the Dodd-Frank Act, changes the deposit insurance assessment system from one that is based on domestic deposits to one that is based on average consolidated total assets minus average tangible equity. Because the new assessment base under the Dodd-Frank Act is larger than the current assessment base, the final rule's assessment rates are lower than the current rates, which achieves the FDIC's goal of not significantly altering the total amount of revenue collected from the industry. In addition, the final rule adopts a scorecard assessment scheme for larger banks and suspends dividend payments if the DIF reserve ratio exceeds 1.5% but provides for decreasing assessment rates when the DIF reserve ratio reaches certain thresholds. The final rule further reduces the assessment base for custodial banks by the daily or weekly average of a certain amount of low-risk assets (i.e., assets with a Basel risk weighting of 0%, regardless of maturity, plus 50% of assets with a Basel risk weighting of 20%, again regardless of maturity) subject to the limitation that the daily or weekly average value of these assets cannot exceed the daily or weekly average value of those deposits classified as transaction accounts and identified by the institution as being directly linked to a fiduciary or custodial and safekeeping account. The final rule identifies custodial banks as insured depository institutions with previous calendar year-end trust assets (i.e., fiduciary and custody and safekeeping assets) of at least \$50 billion or those insured depository institutions that derived more than 50% of their revenue (interest income plus non-interest income) from trust activity over the previous calendar year. Under the final rule, the Bank will pay slightly lower assessments to the DIF than under the old system.

Continued action by the FDIC to replenish the DIF as well as the changes contained in the Dodd-Frank Act may result in higher assessment rates, which could reduce the profitability of or otherwise negatively impact the Bank.

Interstate Banking and Branching

The Dodd-Frank Act amends the BHCA to require a bank holding company seeking approval to acquire shares of a bank located outside of the bank holding company's home state to be well-capitalized and well-managed. Similarly, the Dodd-Frank Act amends the Bank Merger Act to require that the surviving bank in an interstate merger transaction be well-capitalized and well-managed. These requirements became effective on July 21, 2011.

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. The Dodd-Frank Act permits a national bank or a state bank, with the approval of its regulator, to open a branch in any state if the law of the state in which the branch is to be located would permit the establishment of the branch if the bank were a bank chartered in that state. On October 1, 2011, the Corporation merged its national bank subsidiary, Northern Trust, NA, and federal savings bank, Northern Trust Bank, FSB, with and into the Bank.

Community Reinvestment Act

The Corporation's banking subsidiaries are subject to the 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. Federal banking agencies are required to make public the 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. The Bank in its most recent CRA examination received an outstanding CRA rating from its regulator.

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In addition, federal law 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

Federal law 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 law. Regulations adopted under the federal law 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 concerning financial privacy and 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.

Many states and local jurisdictions have consumer protection laws analogous, and in addition to, those listed above. 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. The creation of the CFPB by the Dodd-Frank Act is likely to lead to enhanced and strengthened enforcement of consumer financial protection laws.

Future Legislation

Federal, state, local and non-U.S. legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, thrifts, their holding companies and their affiliates. Such legislation may change the banking statutes and the operating environment of the Corporation and its subsidiaries in substantial and unpredictable ways. The Corporation cannot determine the ultimate effect that future legislation or implementing regulations might have upon the financial condition or results of operations of the Corporation or its subsidiaries.

STAFF

Northern Trust employed approximately 14,100 full-time equivalent officers and staff members as of December 31, 2011.

STATISTICAL DISCLOSURES

The following statistical disclosures, included in the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, are incorporated herein by reference.

| | 2011 |
|---|----------------|
| | Annual |
| | Report |
| Schedule | Page(s) |
| Ratios | 18 |
| Non-U.S. Outstandings | 52-53 |
| Nonperforming Assets and 90 Day Past Due Loans | 54 |
| Average Statement of Condition with Analysis of Net Interest Income | 128-129 |
| 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. | |

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(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, 2011 | | | | | | | | | |
|--|-------------------|--------------|--------------------|--------------|-------------------|--------------|-----------------|--------------|------------------|----------------|
| | One Year or Less | | One to Five Years | | Five to Ten Years | | Over Ten Years | | Average Maturity | |
| | Book | Yield | Book | Yield | Book | Yield | Book | Yield | | |
| Securities Held to Maturity | | | | | | | | | | |
| Obligations of States and Political | | | | | | | | | | |
| Subdivisions | \$ 114.5 | 6.72% | \$ 224.0 | 6.56% | \$ 189.5 | 7.01% | \$ 1.4 | 8.10% | | 45 mos. |
| Government Sponsored Agency | 39.3 | 3.17 | 106.9 | 3.17 | 8.9 | 3.17 | 1.7 | 3.17 | | 28 mos. |
| Other Fixed | 44.4 | 1.07 | 24.5 | 3.00 | 17.1 | 3.64 | 25.7 | 3.64 | | 80 mos. |
| Floating | 1.3 | 1.54 | | | | | | | | 9 mos. |
| Total Securities Held to Maturity | \$ 199.5 | 4.73% | \$ 355.4 | 5.29% | \$ 215.5 | 6.58% | \$ 28.8 | 3.84% | | 46 mos. |
| Securities Available for Sale | | | | | | | | | | |
| U.S. Government | \$ | % | \$ 4,029.4 | .87% | \$ | % | \$ | % | | 33 mos. |
| Obligations of States and Political | | | | | | | | | | |
| Subdivisions | .8 | 2.32 | 14.8 | 6.20 | | | .2 | 7.58 | | 47 mos. |
| Government Sponsored Agency | 3,463.0 | .90 | 11,901.1 | .84 | 776.5 | 1.83 | 630.8 | 2.18 | | 28 mos. |
| Asset-Backed Fixed | 842.7 | 1.07 | 18.0 | 5.63 | 10.5 | 5.54 | 15.0 | 5.57 | | 11 mos. |
| Asset-Backed Floating | 386.1 | .67 | 194.8 | .81 | 175.5 | .89 | 126.0 | .75 | | 20 mos. |
| Auction Rate Securities | | | 178.3 | 1.43 | | | | | | 54 mos. |
| Other Fixed | 2,884.7 | .79 | 1,455.0 | 1.86 | | | | | | 14 mos. |
| Floating | 1,892.3 | .73 | 763.7 | .59 | 371.2 | .66 | 62.1 | | | 15 mos. |
| Total Securities Available for Sale | \$ 9,469.6 | .84% | \$ 18,555.1 | .93% | \$ 1,333.7 | 1.41% | \$ 834.1 | 1.91% | | 25 mos. |
| December 31, 2010 | | | | | | | | | | |
| (\$ in Millions) | One Year or Less | | One to Five Years | | Five to Ten Years | | Over Ten Years | | Average Maturity | |
| | Book | Yield | Book | Yield | Book | Yield | Book | Yield | | |
| Securities Held to Maturity | | | | | | | | | | |
| Obligations of States and Political | | | | | | | | | | |
| Subdivisions | \$ 76.5 | 6.96% | \$ 263.8 | 6.62% | \$ 288.5 | 6.91% | \$ 6.2 | 7.93% | | 53 mos. |
| Government Sponsored Agency | 30.9 | 3.36 | 129.7 | 3.27 | 6.5 | 3.50 | 2.2 | 3.49 | | 32 mos. |
| Other Fixed | 97.4 | 2.98 | 152.9 | 4.96 | 102.7 | 4.78 | 29.0 | 3.83 | | 69 mos. |
| Floating | | | 1.3 | 1.35 | | | | | | 21 mos. |
| Total Securities Held to Maturity | \$ 204.8 | 4.52% | \$ 547.7 | 5.35% | \$ 397.7 | 6.30% | \$ 37.4 | 4.49% | | 55 mos. |
| Securities Available for Sale | | | | | | | | | | |
| U.S. Government | \$ 26.3 | .12% | \$ 632.1 | 1.73% | \$ | % | \$ | % | | 56 mos. |
| Obligations of States and Political | | | | | | | | | | |
| Subdivisions | 20.7 | 5.28 | 15.1 | 6.77 | | | .5 | 7.58 | | 31 mos. |
| Government Sponsored Agency | 4,823.8 | .95 | 6,526.0 | .77 | 465.9 | 1.27 | 155.0 | 1.29 | | 23 mos. |
| Asset-Backed Fixed | 641.2 | 1.61 | 19.9 | 5.66 | 13.4 | 5.63 | 15.8 | 5.65 | | 12 mos. |
| Asset-Backed Floating | 670.2 | .67 | 448.3 | .74 | 45.1 | .75 | 6.4 | .48 | | 14 mos. |
| Auction Rate Securities | | | 367.8 | 1.48 | | | | | | 46 mos. |
| Other Fixed | 1,911.5 | .63 | 501.5 | 1.99 | | | 42.6 | 6.00 | | 10 mos. |
| Floating | 1,007.2 | .53 | 1,544.5 | .59 | 43.7 | .71 | 143.0 | | | 25 mos. |
| Total Securities Available for Sale | \$ 9,100.9 | .87% | \$ 10,055.2 | .91% | \$ 568.1 | 1.29% | \$ 363.3 | 1.52% | | 22 mos. |

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

| (In Millions) | 2011 | 2010 | December 31 2009 | 2008 | 2007 |
|--|--------------------|--------------------|---------------------|--------------------|--------------------|
| Securities Held to Maturity | | | | | |
| Obligations of States and Political Subdivisions | \$ 529.4 | \$ 635.0 | \$ 692.6 | \$ 791.2 | \$ 848.8 |
| Government Sponsored Agency | 156.8 | 169.3 | 114.6 | 55.0 | 13.3 |
| Other | 113.0 | 117.9 | 103.1 | 92.9 | 90.4 |
| Total Securities Held to Maturity | \$ 799.2 | \$ 922.2 | \$ 910.3 | \$ 939.1 | \$ 952.5 |
| Securities Available for Sale | | | | | |
| U.S. Government | \$ 4,029.4 | \$ 658.4 | \$ 74.0 | \$ 19.9 | \$ 5.1 |
| Obligations of States and Political Subdivisions | 15.8 | 36.3 | 47.0 | 31.6 | 32.1 |
| Government Sponsored Agency | 16,771.4 | 11,970.7 | 12,325.4 | 11,261.4 | 5,466.5 |
| Asset-Backed | 1,768.6 | 1,860.3 | 1,495.3 | 1,572.6 | 1,902.9 |
| Auction Rate | 178.3 | 367.8 | 427.7 | 453.1 | |
| Other | 7,429.0 | 5,008.4 | 2,903.1 | 904.1 | 182.8 |
| Total Securities Available for Sale | \$ 30,192.5 | \$ 19,901.9 | \$ 17,272.5 | \$ 14,242.7 | \$ 7,589.4 |
| Average Total Securities | \$ 26,406.4 | \$ 19,859.2 | \$ 17,357.8 | \$ 12,287.0 | \$ 12,459.4 |
| Total Securities at Year-End | \$ 30,999.7 | \$ 20,830.9 | \$ 18,192.7 | \$ 15,184.1 | \$ 8,545.0 |

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

| (In Millions) | December 31 | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Commercial | | | | | |
| Commercial and Institutional | \$ 6,918.7 | \$ 5,914.5 | \$ 6,312.1 | \$ 8,293.4 | \$ 5,556.4 |
| Commercial Real Estate | 2,981.7 | 3,242.4 | 3,213.2 | 3,014.0 | 2,350.3 |
| Lease Financing, net | 978.8 | 1,063.7 | 1,004.4 | 1,143.8 | 1,168.4 |
| Non-U.S. | 1,057.5 | 1,046.2 | 728.5 | 1,791.7 | 2,274.1 |
| Other | 417.6 | 346.6 | 457.5 | 909.6 | 438.8 |
| Total Commercial | 12,354.3 | 11,613.4 | 11,715.7 | 15,152.5 | 11,788.0 |
| Personal | | | | | |
| Residential Real Estate | 10,708.9 | 10,854.9 | 10,807.7 | 10,381.4 | 9,171.0 |
| Private Client | 5,651.4 | 5,423.7 | 5,004.4 | 4,832.2 | 4,016.6 |
| Other | 349.3 | 240.0 | 277.9 | 389.3 | 364.5 |
| Total Personal | 16,709.6 | 16,518.6 | 16,090.0 | 15,602.9 | 13,552.1 |
| Total Loans and Leases | \$ 29,063.9 | \$ 28,132.0 | \$ 27,805.7 | \$ 30,755.4 | \$ 25,340.1 |
| Total U.S. | \$ 28,006.4 | \$ 27,085.8 | \$ 27,077.2 | \$ 28,963.7 | \$ 23,066.0 |

Remaining Maturity of Selected Loans and Leases

| (In Millions) | December 31, 2011 | | | |
|--|--------------------|---------------------|-------------------------|-----------------------|
| | Total | One Year or Less | One to Five Years | Over Five Years |
| U.S. (Excluding Residential Real Estate and Private Client Loans) | | | | |
| Commercial and Institutional | \$ 6,918.7 | \$ 3,957.4 | \$ 2,052.4 | \$ 908.9 |
| Commercial Real Estate | 2,981.7 | 591.0 | 1,867.3 | 523.4 |
| Lease Financing, net | 978.8 | 28.1 | 309.1 | 641.6 |
| Other-Commercial | 417.6 | 417.6 | | |
| Other-Personal | 349.3 | 254.2 | 95.1 | |
| Total U.S. | 11,646.1 | 5,248.3 | 4,323.9 | 2,073.9 |
| Non-U.S. | 1,057.5 | 1,037.0 | 20.5 | |
| Total Selected Loans and Leases | \$ 12,703.6 | \$ 6,285.3 | \$ 4,344.4 | \$ 2,073.9 |
| Interest Rate Sensitivity of Loans and Leases | | | | |
| Fixed Rate | \$ 8,547.5 | \$ 4,992.9 | \$ 2,221.4 | \$ 1,333.2 |
| Variable Rate | 4,156.1 | 1,292.4 | 2,123.0 | 740.7 |
| Total | \$ 12,703.6 | \$ 6,285.3 | \$ 4,344.4 | \$ 2,073.9 |

Table of Contents

Average Deposits by Type

| (In Millions) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| U.S. Offices | | | | | |
| Demand and Noninterest-Bearing | | | | | |
| Individuals, Partnerships and Corporations | \$ 10,937.7 | \$ 862.2 | \$ 778.6 | \$ 912.5 | \$ 864.4 |
| Correspondent Banks | 101.2 | 86.5 | 80.5 | 44.2 | 30.9 |
| Other Noninterest-Bearing | 115.7 | 5,643.6 | 7,589.7 | 4,493.6 | 3,789.3 |
| Total Demand and Noninterest-Bearing | 11,154.6 | 6,592.3 | 8,448.8 | 5,450.3 | 4,684.6 |
| Interest-Bearing | | | | | |
| Savings and Money Market | 14,297.6 | 13,049.5 | 11,162.4 | 7,786.5 | 7,016.4 |
| Savings Certificates less than \$100,000 | 343.0 | 401.3 | 478.6 | 454.8 | 483.8 |
| Savings Certificates \$100,000 and more | 1,352.5 | 1,706.5 | 2,298.7 | 1,669.5 | 1,536.0 |
| Other | 1,909.9 | 1,596.8 | 1,101.8 | 615.3 | 518.1 |
| Total Interest-Bearing | 17,903.0 | 16,754.1 | 15,041.5 | 10,526.1 | 9,554.3 |
| Total U.S. Offices | 29,057.6 | 23,346.4 | 23,490.3 | 15,976.4 | 14,238.9 |
| Non-U.S. Offices | | | | | |
| Non Interest-Bearing | 3,415.3 | 2,268.3 | 2,578.1 | 3,364.5 | 2,963.8 |
| Interest-Bearing | 39,973.5 | 29,968.4 | 27,157.6 | 35,958.2 | 28,587.8 |
| Total Non-U.S. Offices | 43,388.8 | 32,236.7 | 29,735.7 | 39,322.7 | 31,551.6 |
| Total Deposits | \$ 72,446.4 | \$ 55,583.1 | \$ 53,226.0 | \$ 55,299.1 | \$ 45,790.5 |

Average Rates Paid on Interest-Related Deposits by Type

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|-------------|-------------|-------------|--------------|--------------|
| Interest-Related Deposits U.S. Offices | | | | | |
| Savings and Money Market | .18% | .27% | .48% | 1.77% | 3.37% |
| Savings Certificates less than \$100,000 | .88 | 1.23 | 2.05 | 3.21 | 4.42 |
| Savings Certificates \$100,000 and more | 1.03 | 1.34 | 2.05 | 3.44 | 4.83 |
| Other Time | .56 | .80 | 1.48 | 3.28 | 4.74 |
| Total U.S. Offices Interest-Related Deposits | .30 | .45 | .84 | 2.19 | 3.73 |
| Total Non-U.S. Offices Interest-Related Deposits | .44 | .42 | .29 | 2.46 | 4.22 |
| Total Interest-Related Deposits | .40% | .43% | .49% | 2.40% | 4.10% |

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

| (In Millions) | December 31, 2011 | | December 31, 2010 | |
|---------------|-------------------|--------------|-------------------|--------------|
| | U.S. Offices | U.S. Offices | 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 | \$ 776.0 | \$ | \$ 7,234.8 | \$ 1,008.1 | \$ 792.4 | \$ 12,406.7 |
| Over 3 through 6 Months | 530.5 | | 49.5 | 502.7 | | 41.4 |
| Over 6 through 12 Months | 1,062.4 | | 31.4 | 1,709.4 | | 32.7 |
| Over 12 Months | 368.7 | | 1.1 | 296.6 | | 4.6 |
| Total | \$ 2,737.6 | \$ | \$ 7,316.8 | \$ 3,516.8 | \$ 792.4 | \$ 12,485.4 |

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

| (\$ in Millions) | 2011 | 2010 | 2009 |
|---------------------------|----------|------------|------------|
| Balance on December 31 | \$ 815.3 | \$ 3,691.7 | \$ 6,649.8 |
| Highest Month-End Balance | 4,690.2 | 5,716.6 | 7,735.6 |
| Year Average Balance | 2,250.4 | 3,779.7 | 4,902.0 |
| Average Rate | .08% | .13% | .12% |
| Average Rate at Year-End | .06% | .05% | .02% |

Securities Sold under Agreements to Repurchase

| (\$ in Millions) | 2011 | 2010 | 2009 |
|---------------------------|------------|----------|------------|
| Balance on December 31 | \$ 1,198.8 | \$ 954.4 | \$ 1,037.5 |
| Highest Month-End Balance | 1,479.3 | 954.4 | 1,037.5 |
| Year Average Balance | 815.8 | 626.8 | 737.7 |
| Average Rate | .08% | .17% | .16% |
| Average Rate at Year-End | .02% | .07% | .03% |

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

| (\$ in Millions) | 2011 | 2010 | 2009 |
|---------------------------|----------|----------|------------|
| Balance on December 31 | \$ 931.5 | \$ 347.7 | \$ 2,078.3 |
| Highest Month-End Balance | 2,415.5 | 2,174.1 | 2,202.6 |
| Year Average Balance | 1,400.6 | 1,443.0 | 1,109.0 |
| Average Rate | .39% | .38% | .38% |
| Average Rate at Year-End | .02% | .03% | .09% |

Total Purchased Funds

| (\$ in Millions) | 2011 | 2010 | 2009 |
|------------------------|------------|------------|------------|
| Balance on December 31 | \$ 2,945.6 | \$ 4,993.8 | \$ 9,765.6 |
| Year Average Balance | 4,466.8 | 5,849.5 | 6,748.7 |
| Average Rate | .18% | .19% | 16% |

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

| (Interest on a Taxable Equivalent Basis) | 2011/2010 Change Due To | | | 2010/2009 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 | \$ (.1) | \$ (.2) | \$ (.3) | \$ (.1) | \$ (.1) | \$ (.2) |
| Time Deposits with Banks | 23.2 | 35.0 | 58.2 | (10.4) | (64.6) | (75.0) |
| Other Interest-Bearing | 12.0 | 2.8 | 14.8 | 1.9 | | 1.9 |
| Securities | | | | | | |
| U.S. Government | 10.8 | 11.5 | 22.3 | .6 | .3 | .9 |
| Obligations of States and Political Subdivisions | (7.9) | .9 | (7.0) | (5.9) | (.2) | (6.1) |
| Government Sponsored Agency | 24.6 | (38.8) | (14.2) | (1.2) | (29.9) | (31.1) |
| Other | 30.4 | 2.7 | 33.1 | 42.5 | (33.8) | 8.7 |
| Loans and Leases | 28.4 | (22.3) | 6.1 | (39.0) | 29.5 | (9.5) |
| Total | 121.4 | (8.4) | 113.0 | (11.6) | (98.8) | (110.4) |
| Increase (Decrease) in Interest Expense | | | | | | |
| Deposits | | | | | | |
| Savings and Money Market | \$ 3.4 | (12.3) | (8.9) | \$ 9.1 | (27.9) | \$ (18.8) |
| Savings Certificates and Other Time | (1.1) | (11.5) | (12.6) | (3.3) | (29.5) | (32.8) |
| Non-U.S. Offices Time | 42.0 | 8.4 | 50.4 | 8.3 | 37.3 | 45.6 |
| Short-Term Borrowings | (2.6) | (0.4) | (3.0) | (1.5) | 1.7 | .2 |
| Senior Notes | 15.3 | 0.5 | 15.8 | 3.8 | .8 | 4.6 |
| Long-Term Debt | (15.3) | (4.9) | (20.2) | (10.8) | (14.3) | (25.1) |
| Floating Rate Capital Debt | | | | | (1.9) | (1.9) |
| Total | \$ 41.7 | \$ (20.2) | \$ 21.5 | \$ 2.5 | \$ (30.7) | \$ (28.2) |
| Increase (Decrease) in Net Interest Income | \$ 79.7 | \$ 11.8 | \$ 91.5 | \$ (14.1) | \$ (68.1) | \$ (82.2) |

Note: Changes not due solely to average balance changes or rate changes are included in the change due to rate column.

Table of Contents**Analysis of Allowance for Credit Losses**

| (\$ in Millions) | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|----------|----------|----------|----------|----------|
| Balance at Beginning of Year | \$ 357.3 | \$ 340.6 | \$ 251.1 | \$ 160.2 | \$ 151.0 |
| Charge-Offs | | | | | |
| Commercial | | | | | |
| Commercial and Institutional | 22.0 | 13.3 | 30.6 | 7.6 | 4.5 |
| Commercial Real Estate | 34.3 | 62.9 | 22.5 | 5.1 | |
| Lease Financing, net | | | | | |
| Non-U.S. | | | | | |
| Other | | | | | |
| Total Commercial | 56.3 | 76.2 | 53.1 | 12.7 | 4.5 |
| Personal | | | | | |
| Residential Real Estate | 55.0 | 63.7 | 57.7 | 8.9 | 1.1 |
| Private Client | 5.0 | 10.2 | 21.5 | 4.1 | 4.1 |
| Other | | | | | |
| Total Personal | 60.0 | 73.9 | 79.2 | 13.0 | 5.2 |
| Total Charge-Offs | 116.3 | 150.1 | 132.3 | 25.7 | 9.7 |
| Recoveries | | | | | |
| Commercial | | | | | |
| Commercial and Institutional | 15.0 | .8 | 2.9 | 1.8 | .3 |
| Commercial Real Estate | 6.5 | 2.8 | .2 | .1 | |
| Lease Financing, net | | | | | |
| Non-U.S. | | | | | .3 |
| Other | | | | | |
| Total Commercial | 21.5 | 3.6 | 3.1 | 1.9 | .6 |
| Personal | | | | | |
| Residential Real Estate | 7.8 | 2.3 | 1.3 | .3 | .1 |
| Private Client | 3.6 | 1.0 | 2.1 | .3 | .2 |
| Other | | | | | |
| Total Personal | 11.4 | 3.3 | 3.4 | .6 | .3 |
| Total Recoveries | 32.9 | 6.9 | 6.5 | 2.5 | .9 |
| Net Charge-Offs | 83.4 | 143.2 | 125.8 | 23.2 | 8.8 |
| Provision for Credit Losses | 55.0 | 160.0 | 215.0 | 115.0 | 18.0 |
| Effect of Foreign Exchange Rates | | (.1) | .3 | (.9) | |
| Net Change in Allowance | (28.4) | 16.7 | 89.5 | 90.9 | 9.2 |
| Balance at End of Year | \$ 328.9 | \$ 357.3 | \$ 340.6 | \$ 251.1 | \$ 160.2 |
| Allowance Assigned To: | | | | | |
| Loans and Leases | \$ 294.8 | \$ 319.6 | \$ 309.2 | \$ 229.1 | \$ 148.1 |
| Unfunded Commitments and Standby Letters of Credit | 34.1 | 37.7 | 31.4 | 22.0 | 12.1 |

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| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Total Allowance for Credit Losses | \$ 328.9 | \$ 357.3 | \$ 340.6 | \$ 251.1 | \$ 160.2 |
| Loans and Leases at Year-End | \$ 29,063.9 | \$ 28,132.0 | \$ 27,805.7 | \$ 30,755.4 | \$ 25,340.1 |
| Average Total Loans and Leases | \$ 28,346.7 | \$ 27,514.4 | \$ 28,697.2 | \$ 27,402.7 | \$ 22,817.8 |
| As a Percent of Year-End Loans and Leases | | | | | |
| Net Loan Charge-Offs | .29% | .51% | .45% | .08% | .03% |
| Provision for Credit Losses | .19 | .57 | .77 | .37 | .07 |
| Allowance at Year-End Assigned to Loans and Leases | 1.01 | 1.14 | 1.11 | .74 | .58 |
| As a Percent of Average Loans and Leases | | | | | |
| Net Loan Charge-Offs | .29% | .52% | .44% | .08% | .04% |
| Allowance at Year-End Assigned to Loans and Leases | 1.04 | 1.16 | 1.08 | .84 | .65 |

Table of Contents**Non-U.S. Operations (Based on Obligor's Domicile)**

See also Note 31 Business Units and Related Information in the Notes to Consolidated Financial Statements on pages 121-123 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, which is incorporated herein by reference.

Selected Average Assets and Liabilities Attributable to Non-U.S. Operations

| (In Millions) | \$000,000 2011 | \$000,000 2010 | \$000,000 2009 | \$000,000 2008 | \$000,000 2007 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Assets | \$ 29,201.2 | \$ 22,664.0 | \$ 21,876.1 | \$ 27,321.0 | \$ 21,483.2 |
| Time Deposits with Banks | 16,906.5 | 14,592.4 | 15,357.0 | 20,547.9 | 16,028.9 |
| Loans | 1,301.7 | 692.9 | 951.5 | 1,641.7 | 1,709.8 |
| Customers' Acceptance Liability | .3 | .5 | .3 | .2 | .3 |
| Non-U.S. Investments | 5,370.2 | 2,688.8 | 977.7 | 205.7 | 101.8 |
| Total Liabilities | \$ 45,757.5 | \$ 36,196.0 | \$ 33,310.6 | \$ 44,022.1 | \$ 34,469.5 |
| Deposits | \$ 43,370.3 | \$ 33,479.3 | \$ 30,888.3 | \$ 40,825.6 | \$ 32,200.2 |
| Liability on Acceptances | .3 | .5 | .3 | .2 | .3 |

Percent of Non-U.S.-Related Average Assets and Liabilities to Total Consolidated Average Assets

| | \$00,000 2011 | \$00,000 2010 | \$00,000 2009 | \$00,000 2008 | \$00,000 2007 |
|-------------|------------------|------------------|------------------|------------------|------------------|
| Assets | 32% | 30% | 29% | 37% | 35% |
| Liabilities | 50% | 48% | 45% | 60% | 57% |

Allowance for Credit Losses Relating to Non-U.S. Operations

| (In Millions) | \$000,000 2011 | \$000,000 2010 | \$000,000 2009 | \$000,000 2008 | \$000,000 2007 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balance at Beginning of Year | \$ 3.8 | \$ 4.9 | \$ 7.4 | \$ 8.8 | \$ 9.3 |
| Charge-Offs | | | | | |
| Recoveries | | | | | |
| Provision for Credit Losses | .9 | (1.1) | (2.5) | (1.4) | (.5) |
| Balance at End of Year | \$ 4.7 | \$ 3.8 | \$ 4.9 | \$ 7.4 | \$ 8.8 |

The SEC requires the disclosure of the allowance for credit losses that is applicable to international operations. The above table has been prepared in compliance with this disclosure requirement and is used in determining non-U.S. operating performance. The amounts shown in the table should not be construed as being the only amounts that are available for non-U.S. loan charge-offs, since the entire allowance for credit losses assigned to loans and leases is available to absorb losses on both U.S. and non-U.S. loans. In addition, these amounts are not intended to be indicative of future charge-off trends.

Table of Contents**Distribution of Non-U.S. Loans and Deposits by Type**

| | December 31 | | | | |
|--|-------------------|-------------------|-----------------|-------------------|-------------------|
| Loans | | | | | |
| (In Millions) | 2011 | 2010 | 2009 | 2008 | 2007 |
| Commercial | \$ 335.9 | \$ 874.0 | \$ 626.3 | \$ 351.1 | \$ 482.5 |
| Non-U.S. Governments and Official Institutions | 197.8 | 110.3 | 59.7 | 14.8 | 17.0 |
| Banks | 13.3 | 9.3 | 2.1 | 32.4 | 14.9 |
| Other * | 510.5 | 52.6 | 40.4 | 1,393.4 | 1,759.7 |
| Total | \$ 1,057.5 | \$ 1,046.2 | \$ 728.5 | \$ 1,791.7 | \$ 2,274.1 |

* Other loans include short duration advances primarily related to the processing of custodied client investments.

| | December 31 | | |
|--|-----------------|--------------------|--------------------|
| Deposits | | | |
| (In Millions) | 2011 | 2010 | 2009 |
| Commercial | \$ 34,824.1 | \$ 34,835.1 | \$ 27,143.7 |
| Non-U.S. Governments and Official Institutions | 3,405.6 | 2,724.1 | 2,905.3 |
| Banks | 1,018.4 | 1,406.5 | 939.8 |
| Other Time | 48.3 | 377.1 | 407.8 |
| Other Demand | 38.2 | 159.9 | 149.9 |
| Total | 39,334.6 | \$ 39,502.7 | \$ 31,546.5 |

CREDIT RISK MANAGEMENT

For the discussion of Credit Risk Management, see the following information that is incorporated herein by reference to the Corporation's Annual Report to Stockholders for the year ended December 31, 2011:

| Notes to Consolidated Financial Statements | 2011 Annual Report Page(s) |
|--|----------------------------------|
| 1. Accounting Policies | |
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| Management's Discussion and Analysis of Financial Condition and Results of Operations | |
| Asset Quality and Credit Risk Management | 49-57 |

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In addition, the following schedules on pages 21 through 23 of this Form 10-K should be read in conjunction with the Credit Risk Management section:

Analysis of Allowance for Credit Losses

Allowance for Credit Losses Relating to Non-U.S. Operations

Distribution of Non-U.S. Loans and Deposits by Type

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INTEREST RATE SENSITIVITY ANALYSIS

For the discussion of interest rate sensitivity, see the section entitled "Market Risk Management" on pages 57 through 60 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, 2011, which is incorporated herein by reference.

The following unaudited Consolidated Balance Sheet and Consolidated Statement of Income for The Northern Trust Company were prepared in accordance with generally accepted accounting principles and are provided here for informational purposes. These consolidated financial statements should be read in conjunction with the footnotes accompanying the consolidated financial statements included in the Corporation's Annual Report to Stockholders for the year ended December 31, 2011 and incorporated herein by reference on page 40 of this Form 10-K.

Table of Contents**The Northern Trust Company****Consolidated Balance Sheet (unaudited)**

| (In Millions) | December 31 | |
|--|--------------------|--------------------|
| | 2011 | 2010 |
| Assets | | |
| Cash and Due from Banks | \$ 4,299.2 | \$ 2,806.8 |
| Federal Funds Sold and Securities Purchased under Agreements to Resell | 121.3 | 161.0 |
| Time Deposits with Banks | 16,685.4 | 15,338.7 |
| Federal Reserve Deposits and Other Interest-Bearing Securities | 13,442.7 | 10,919.2 |
| Available for Sale | 30,095.4 | 19,785.0 |
| Held to Maturity (Fair Value \$804.2 in 2011 and \$906.8 in 2010) | 799.2 | 922.2 |
| Total Securities | 30,894.6 | 20,707.2 |
| Loans and Leases | | |
| Commercial | 12,362.3 | 11,613.4 |
| Personal | 16,704.0 | 16,513.3 |
| Total Loans and Leases (Net of unearned income \$374.1 in 2011 and \$456.8 in 2010) | 29,066.3 | 28,126.7 |
| Allowance for Credit Losses Assigned to Loans and Leases | (294.8) | (319.6) |
| Buildings and Equipment | 486.5 | 495.7 |
| Client Security Settlement Receivables | 778.3 | 701.9 |
| Goodwill | 493.2 | 357.6 |
| Other Assets | 3,858.5 | 4,105.9 |
| Total Assets | \$ 99,831.2 | \$ 83,401.1 |
| Liabilities | | |
| Deposits | | |
| Demand and Other Noninterest-Bearing | \$ 22,885.6 | \$ 7,242.3 |
| Savings and Money Market | 17,472.1 | 13,887.6 |
| Savings Certificates | 3,058.3 | 3,550.4 |
| Other Time | | 1,128.7 |
| Non-U.S. Offices Noninterest-Bearing | 3,488.6 | 2,943.4 |
| Interest-Bearing | 37,137.2 | 37,033.8 |
| Total Deposits | 84,041.8 | 65,786.2 |
| Federal Funds Purchased | 815.3 | 3,691.7 |
| Securities Sold under Agreements to Repurchase | 1,198.8 | 955.3 |
| Other Borrowings | 955.2 | 366.1 |
| Senior Notes | 750.0 | |
| Long-Term Debt | 2,425.9 | 3,021.9 |
| Other Liabilities | 2,752.7 | 2,725.9 |
| Total Liabilities | 92,939.7 | 76,547.1 |
| Stockholder's Equity | | |
| Capital Stock Par Value \$1 | 3.6 | 3.6 |

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| | | |
|--|-------------|-------------|
| Surplus | 2,656.7 | 2,656.7 |
| Undivided Profits | 4,540.1 | 4,472.2 |
| Accumulated Other Comprehensive Loss | (309.0) | (278.5) |
| Total Stockholder s Equity | 6,891.5 | 6,854.0 |
| Total Liabilities and Stockholder s Equity | \$ 99,831.2 | \$ 83,401.1 |

Table of Contents**The Northern Trust Company****Consolidated Statement of Income (unaudited)**

| (In Millions) | For the Year Ended December 31 | | |
|---|--------------------------------|----------------|----------------|
| | 2011 | 2010 | 2009 |
| Noninterest Income | | | |
| Trust, Investment and Other Servicing Fees | \$ 2,034.6 | \$ 1,898.2 | \$ 1,956.0 |
| Foreign Exchange Trading Income | 324.5 | 382.2 | 451.2 |
| Treasury Management Fees | 72.1 | 78.1 | 76.4 |
| Security Commissions and Trading Income | 8.3 | 9.7 | 5.7 |
| Other Operating Income | 87.3 | 138.2 | 126.2 |
| Investment Security Gains (Losses), net | (23.9) | (20.4) | (23.4) |
| Total Noninterest Income | 2,502.9 | 2,486.0 | 2,592.1 |
| Interest Income | | | |
| Loans and Leases | 938.7 | 933.3 | 942.2 |
| Securities | | | |
| Available for Sale | 203.5 | 172.5 | 198.3 |
| Held to Maturity | 33.7 | 40.9 | 38.4 |
| Total Securities | 237.2 | 213.4 | 236.7 |
| Time Deposits with Banks | 192.7 | 134.5 | 187.8 |
| Federal Funds Sold, Securities Purchased under Agreements to Resell and Other | 31.4 | 14.0 | 39.4 |
| Total Interest Income | 1,400.0 | 1,295.2 | 1,406.1 |
| Interest Expense | | | |
| Deposits | 233.2 | 204.8 | 211.6 |
| Federal Funds Purchased | 1.9 | 2.4 | 2.3 |
| Securities Sold under Agreements to Repurchase | .7 | 1.1 | 1.4 |
| Other Borrowings | 5.5 | 7.7 | 9.1 |
| Senior Notes | 16.5 | 2.4 | 2.7 |
| Long-Term Debt | 94.6 | 121.8 | 144.5 |
| Total Interest Expense | 352.4 | 340.2 | 371.6 |
| Net Interest Income | 1,047.6 | 955.0 | 1,034.5 |
| Provision for Credit Losses | 55.0 | 160.0 | 215.4 |
| Net Interest Income after Provision for Credit Losses | 992.6 | 795.0 | 819.1 |
| Income before Noninterest Expense | 3,495.5 | 3,281.0 | 3,411.2 |
| Noninterest Expense | | | |
| Compensation | 1,221.5 | 1,060.3 | 1,052.4 |
| Employee Benefits | 249.5 | 229.2 | 234.1 |
| Outside Services | 460.9 | 386.5 | 353.7 |
| Equipment and Software Expense | 327.3 | 286.3 | 260.2 |
| Occupancy Expense | 176.2 | 164.2 | 166.5 |
| Visa Indemnification Benefits | (23.1) | (33.0) | (17.8) |

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| | | | |
|-----------------------------------|----------|----------|----------|
| Other Operating Expense | 237.3 | 236.8 | 173.4 |
| Total Noninterest Expense | 2,649.6 | 2,330.3 | 2,222.5 |
| Income before Income Taxes | 845.9 | 950.7 | 1,188.7 |
| Provision for Income Taxes | 274.9 | 313.3 | 342.6 |
| Net Income | 571.0 | \$ 637.4 | \$ 846.1 |
| Dividends Paid to the Corporation | \$ 500.0 | \$ | \$ 350.0 |

Table of Contents**AVAILABLE INFORMATION**

The Corporation's Internet address is www.northerntrust.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. Additionally, the Corporation's corporate governance guidelines, its code of business conduct and ethics applicable to directors, officers and employees, and the charters for its audit, business risk, business strategy, corporate governance, compensation and benefits, and executive committees are all available on the Corporation's Internet website. Information contained on the Corporation's website is not part of this report.

Supplemental Item Executive Officers of the Registrant

The following table sets forth certain information with regard to each executive officer of the Corporation.

| Name and Age | Current Position Held with the Corporation and Effective Date First Elected to Office Indicated |
|---------------------------|---|
| Frederick H. Waddell (58) | Chairman of the Board (11/11/09), President (2/21/06-9/30/11), and Chief Executive Officer (1/1/08) |
| Sherry S. Barrat (62) | Executive Vice President and President PFS (1/1/06-2/28/11), Vice Chairman (3/1/11) |
| Aileen B. Blake (44) | Executive Vice President and Controller (3/31/05) |
| Jeffrey D. Cohodes (51) | Executive Vice President of the Bank (11/14/06) and Executive Vice President and Head of Corporate Risk Management (3/1/11) |
| Steve L. Fradkin (50) | Executive Vice President (1/21/03) and President C&IS (9/18/09) |
| Timothy P. Moen (59) | Executive Vice President and Head of Human Resources and Administration (4/16/02) |
| William L. Morrison (61) | Chief Financial Officer (9/18/09-9/30/11), Executive Vice President (5/21/02-9/30/11) and President and Chief Operating Officer (10/1/11) |
| Michael G. O Grady (46) | Executive Vice President (8/15/11) and Chief Financial Officer (10/1/11) |
| Stephen N. Potter (55) | Executive Vice President (10/17/06) and President NTGI (3/28/08) |
| Jana R. Schreuder (53) | Executive Vice President (6/30/05), President O&T (10/17/06-2/28/11), and President PFS (3/1/11) |
| Joyce St. Clair (53) | Executive Vice President (4/1/07), Head of Corporate Risk Management (4/1/07-2/28/11), and President O&T (3/1/11) |
| Kelly R. Welsh (59) | Executive Vice President, General Counsel, and Assistant Secretary (7/18/00) |

All of the executive officers except Michael G. O Grady have been officers of the Corporation, or a subsidiary of the Corporation, for more than five years. Mr. O Grady served as Managing Director of the Financial Institutions Group of Investment Banking of Bank of America Merrill Lynch from 2000 until joining the Corporation.

The positions of Chairman of the Board, Chief Executive Officer and President are elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. The other officers are appointed annually by the Board. Officers continue to hold office until their successors are duly elected or until their death, resignation or removal by the Board.

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Item 1A Risk Factors

From an investor's standpoint, public companies in general and financial institutions in particular share many of the same risks. However, each company's unique combination of strategies, markets served, product and service offerings, processes and systems, and other internal and external factors cause it to have its own set of principal risks. Following is a description of some of the principal risks inherent in Northern Trust's business.

We explain below that many of the risks we discuss can reduce our earnings, as a result of recognizing losses or otherwise. You should understand that significant reductions in earnings can have further negative effects on us in addition to reducing the price of our common stock and other securities, such as: reducing our capital, which can have regulatory and other consequences; affecting the confidence that clients and counterparties have in us, with a resulting negative effect on our ability to conduct and grow our businesses; and reducing the attractiveness of our securities to rating agencies and potential purchasers and so affecting our ability to raise capital and secure other funding or the prices at which we are able to do so.

This list is not necessarily complete because we may have failed to appreciate the potential impact on us of risks not described here. We identify and manage risk through our business strategies and plans and our risk management practices and controls. If we fail to continue to successfully identify and manage significant risks, we could incur financial loss. We may also suffer damage to our reputation that would restrict our ability to grow or conduct business profitably, or become subject to regulatory penalties or constraints that would limit some of our activities or make them significantly more expensive.

Economic, Market, and Monetary Policy Risks

Northern Trust carries on a global business. Changes in conditions in the global financial markets and general economic conditions could adversely affect Northern Trust's businesses. Factors such as the level and volatility of equity and futures prices, the overall pace of capital markets activities, interest rates, currency exchange rates, investor sentiment and inflation or deflation can affect our results.

A downturn in economic conditions, such as the recent severe global economic downturn, can negatively affect our earnings.

Economic weakness can affect the ability of borrowers to repay loans, causing credit quality to deteriorate and resulting in increased cost of credit, a higher level of charge-offs, and higher provision for credit losses, all of which reduce our earnings.

Economic weakness can also reduce the fees we earn for managing and servicing our clients' assets. For example, the recent downturn in equity markets and the decrease in the value of some debt-related investments as a result of market disruption or illiquidity reduce the valuations of the assets we manage or service for others. This reduces our earnings since a significant part of the fees we earn is based on asset values.

Weak economic conditions also affect wealth creation, investment preferences, trading activities, and savings patterns, which impact demand for our trust and investment products and services. Reduced transaction volumes would also negatively impact our earnings.

A slowing of the globalization of investment activity or pension reform could limit our revenue growth. We believe we have profited from the increasing globalization of investment activity and from pension reform in many nations that has generated new pools of assets that require management and servicing. Any slowing or reversal of this globalization of financial activity and markets or other such trends would adversely affect factors that have been important in Northern Trust's recent growth.

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Uncertainty about the financial stability of several countries in the EU, the increasing risk that those countries may default on their sovereign debt and related stresses on financial markets could have a significant adverse effect on our earnings. Risks and ongoing concerns about the debt crisis in Europe could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. European market and economic disruptions have affected, and may continue to affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. Continuing economic challenges in Europe and the related disruptions may negatively impact our earnings. See the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Asset Quality and Credit Risk Management in the 2011 Annual Report to Stockholders (pages 49-57).

Instability, disruption or a lack of confidence in the political, economic, legal or regulatory systems of the emerging markets in which we operate could expose us to liability or loss. Northern Trust's expanding business activities in emerging markets, including investments made for clients in those markets, present risks inherent in conducting these activities in less mature and often less regulated business and investment environments. Changes in interest rates can negatively affect our earnings. The direction and level of interest rates are important factors in our earnings. Falling rates or rates that remain low may reduce our net interest margin, which is the difference between what we earn on our assets and the interest rates we pay for deposits and other sources of funding. A low interest rate environment can also reduce fees earned on certain of our products. For example, in 2009, 2010, and 2011, we waived certain fees associated with money market mutual funds due to the low level of short-term interest rates. Lower net interest margins and fee waivers negatively impact our earnings.

Volatility levels and fluctuations in foreign currency exchange rates can affect our earnings. Periods of lower foreign currency volatility can result in reduced foreign exchange trading income. We hold various non-U.S. dollar denominated assets and liabilities and maintain investments in non-U.S. subsidiaries. We also provide foreign exchange services to our clients, primarily in connection with our global custody business, and effect other transactions in non-U.S. dollar currencies. Foreign currency volatility and fluctuations in exchange rates may impact the value of non-U.S. dollar denominated assets, investments, and cash flows and raise the potential for losses resulting from foreign currency trading positions, where aggregate obligations to purchase and sell a currency other than the U.S. dollar do not offset each other, or offset each other in different time periods. If the policies and procedures we have in place to assess and mitigate potential impacts of foreign exchange volatility, including hedging-related strategies, are not followed or are not effective to mitigate such risks, our results and earnings may be negatively affected. See the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Market Risk Management in the 2011 Annual Report to Stockholders (pages 57-60).

Declines in the value of securities held in our investment portfolio can negatively affect our earnings. The value of securities available for sale and held to maturity within our investment portfolio may fluctuate as a result of market volatility and economic or financial market conditions. Generally, the fair value of those securities is determined based upon market values available from third party sources. The recent period of economic turmoil and financial market disruption has negatively affected the liquidity and pricing of securities generally and asset-backed and auction rate securities in particular. To the extent that any portion of the unrealized losses in our portfolio of investment securities results from declines in securities values that management determines to be other-than-temporary, the book value of those securities will be adjusted to their estimated recovery value and we will recognize a charge to earnings in the quarter during which we make that determination. See the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Risk Management Asset Quality and Credit Risk Management Securities Portfolio in the 2011 Annual Report to Stockholders (pages 49 and 50) and the section of the Notes to Consolidated Financial Statements in the 2011 Annual Report to Stockholders captioned Note 4 Securities (pages 83-87) for additional information.

Changes in a number of particular market conditions can negatively affect our earnings. In past periods, reductions in the volatility of currency trading markets, the level of cross-border investing activity, or the demand for borrowing securities or willingness to lend such securities have negatively affected our earnings from activities such as foreign exchange trading and securities lending. If these conditions occur in the future, our earnings from these activities may be negatively affected. In a few of our businesses, such as securities lending, our fee is calculated as a percentage of our client's earnings, so that market and other factors that reduce our clients' earnings from investments or trading activities also reduce our revenues. The recent extraordinary market conditions have produced losses in some securities lending programs. Such market conditions also have reduced borrower demand

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and led some clients to withdraw from these programs. A persistence or worsening of these conditions could result in additional withdrawals and decreased activity. See the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Off-Balance Sheet Arrangements Variable Interests in the 2011 Annual Report to Stockholders (page 42) and the section of the Notes to Consolidated Financial Statements in the 2011 Annual Report to Stockholders captioned Note 28 Variable Interest Entities (pages 118-120) for additional information.

Changes in the monetary and other policies of the various regulatory authorities or central banks of the United States, non-U.S. governments and international agencies can reduce our earnings and negatively affect our growth prospects. For example, the Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States, and its policies determine in large part the level of interest rates and our cost of funds for lending and investing. Changes in interest rates and our cost of funds can negatively affect earnings. The actions of the Federal Reserve Board can reduce the value of financial instruments we hold. Its policies also can affect our borrowers by increasing interest rates or making sources of funding less available. This can increase the risk that they may fail to repay their loans from us.

Failure to develop and implement contingency plans to address market disruptions could adversely affect us. Our success in the area of highly complex asset servicing relationships depends, in part, on our development and successful implementation of contingency plans to address significant market disruptions caused by bankruptcy, insolvency or illiquidity. If we fail to develop or successfully implement contingency plans for these market disruptions, our results and business may be negatively affected.

Governmental action to combat recent economic weakness and financial market disruption may not succeed, with various adverse effects on us. Since mid-2008, there have been unprecedented disruptions in global financial markets, including volatility in asset values and constraints on the availability of credit. In response to these developments, the U.S. and other governments have taken steps designed to stabilize markets generally and strengthen financial institutions in particular. The recent upheaval in global financial markets has accentuated each of the risks identified above and magnified their potential effect on Northern Trust. To the extent that these governmental stabilization and mitigation activities are not successful or adversely change the competitive structure of the financial services industry, these developments could have an adverse impact on Northern Trust's revenues, costs, credit losses, access to capital, and liquidity. They also may impose additional limitations or costs on Northern Trust's business.

Operational Risks

Errors, breakdowns in controls or other mistakes in the provision of services to clients or in carrying out transactions for our own account can subject us to liability, result in losses or negatively affect our earnings in other ways. In our asset servicing, investment management, fiduciary administration, and other business activities, Northern Trust effects or processes transactions for clients and for itself that involve very large amounts of money. Failure to properly manage or mitigate operational risks can have adverse consequences, and increased volatility in the financial markets may increase the magnitude of resulting losses.

Many types of operational risks can negatively affect our earnings. Many factors can impact operations and expose us to risks that may vary in size, scale and scope, including:

Human errors or omissions, including failures to comply with applicable laws or corporate policies and procedures;

Theft, fraud or misappropriation of assets, whether arising from the intentional actions of internal personnel or external third parties;

Defects or interruptions in computer or communications systems;

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Breakdowns in processes, including manual processes, which are inherently more prone to error than automated processes, and over-reliance on manual processes, breakdowns in internal controls or failures of the technology and facilities that support our operations;

Unsuccessful or difficult implementation of computer systems upgrades;

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Defects in product design or delivery;

Difficulty in accurately pricing assets, which can be aggravated by increased asset coverage, market volatility and illiquidity, and lack of reliable pricing from vendors;

Negative developments in relationships with key counterparties, vendors, employees, or associates in our day-to-day operations; and

External events that are wholly or partially beyond our control, such as natural disasters, epidemics, computer viruses, geopolitical events, political unrest or terrorist events.

Our dependence on technology exposes us to risks that also can result in losses. Automated systems to record and process transactions, as well as to monitor positions and price assets, reduce the risk of human error, but our necessary dependence on such systems also increases the risk that system flaws or manipulation of those systems will result in losses. The failure to upgrade systems as necessary to support growth and changing business needs also could have a material adverse effect on our operations. Additionally, failure to ensure adequate review and consideration of critical business changes prior to and during introduction and deployment of key technological systems or failure to adequately align evolving client commitments and expectations with operational capabilities can have a negative impact on our operations.

Breaches of our security measures can result in losses. Our systems involve the use of customers' proprietary information and security breaches, including cyber attacks, could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data or our customers' data. Additionally, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose customers.

We may fail to detect errors resulting in losses that continue until the problems are detected and fixed. Given the high volume of transactions we process, errors that affect earnings may be repeated or compounded before they are discovered and corrected.

Our business continuity plans may not work and thus fail to prevent losses from operational failures. Our business continuity plans address many of these risks, but may not operate successfully to mitigate them. If they do not, we could incur losses, liability to clients or others and reduced earnings.

Inability of our internal controls to keep pace with our expansion may result in losses. In recent years, we have expanded the operational support located in certain jurisdictions where the electricity, communications, new personnel, and other systems necessary to support our activities may not be as strong as in the U.S. and established Northern Trust Hedge Fund Services LLC, a unit created in connection with the Omnium acquisition, which serves hedge funds and large institutional investors with complex portfolios. These expansions increase the risk that problems with our systems may occur and disrupt our operations, resulting in losses. Our internal controls might not keep up with the rate of growth resulting in losses.

Our expense management initiatives may strain personnel as they acclimate to new responsibilities. Our plans to streamline our operations and make more efficient use of our personnel could decrease efficiency initially. Retiring employees take their expertise with them. As existing employees take on new and unfamiliar tasks and new employees learn the business, the initial learning curve can result

in operational risks.

Failure of any of our third party vendors to perform can result in losses. Third party vendors provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have established risk management processes and continuity plans, any disruptions in service from a key vendor for any reason or poor performance of services could negatively affect our ability to deliver products and services to our clients and conduct our business. Replacing these third party vendors could also create significant delay and expense.

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Northern Trust's reputation and business may be harmed and we may be subject to legal claims if there is loss or disclosure of our customers' or our own information. Northern Trust makes extensive use of online services and centralized data processing, including through third party service providers. The secure maintenance and transmission of customer information is a critical element of our operations. Our information technology and other systems that maintain and transmit customer information, or those of service providers or business partners, may be impacted by advertent or inadvertent actions or inactions by our employees, or those of a third party service provider or business partner. As a result, Northern Trust's customers' information may be lost, disclosed, accessed or taken without the customers' consent. Any such loss, disclosure or access to, customers' information can result in legal claims or legal proceedings, including regulatory investigations and actions, may have a serious impact on our reputation and may adversely affect our businesses, operating results and financial condition.

These risks are magnified as client requirements become more complex, and as our increasingly international business requires end-to-end management of operational and other processes across multiple time zones and many inter-related products and services.

Investment Performance, Fiduciary and Asset Servicing Risks

Revenues from our investment management, fiduciary, and asset servicing businesses are significant to our earnings.

Failure to produce adequate and competitive returns can negatively affect our earnings and growth prospects. If we do not generate competitive risk-adjusted returns that satisfy clients in a variety of asset classes, we will have greater difficulty maintaining existing business and attracting new business, which would negatively affect our earnings and prospects.

If we fail to comply with legal standards, we could incur liability to our clients or lose clients, which could negatively affect our earnings. Managing or servicing assets with reasonable prudence in accordance with the terms of governing documents and applicable laws is important to client satisfaction, which in turn is important to the earnings and growth of our investment businesses. Failure to comply with these standards, adequately manage these risks, or manage the differing interests often involved in the exercise of fiduciary responsibilities could also result in liability.

We may take actions to maintain client satisfaction that result in losses or reduced earnings. We may find it appropriate to take action or incur expenses in order to maintain client satisfaction or preserve the usefulness of investments or investment vehicles we manage in light of changes in security ratings, liquidity or valuation issues or other developments, even though we are not required to do so by law or the terms of governing instruments. The risk that we will decide to take actions to maintain client satisfaction that result in losses or reduced earnings is greater in periods when credit or equity markets are deteriorating in value or are particularly volatile and liquidity in markets is disrupted.

Credit Risks

A number of Northern Trust's product offerings involve credit risk, which is the risk that other parties will not fulfill their financial obligations to us. These product offerings include loans, leases, derivatives, foreign exchange and other credit commitments.

Failure to evaluate accurately the prospects for repayment when we extend credit or maintain an adequate allowance for credit losses can result in losses or the need to make additional provisions for credit losses, both of which reduce our earnings. We evaluate credit commitments before we make them and then provide for credit risks based on our assessment of the credit losses inherent in our loan portfolio, including unfunded credit commitments. This process requires us to make difficult and complex judgments. Challenges associated with our credit risk assessments include identifying the proper factors to be used in assessment and accurately estimating the impacts of those factors. Allowances that prove to be inadequate can directly and negatively affect earnings.

Weakened economic conditions can result in losses or the need for additional provisions for credit losses, both of which reduce our earnings. Credit risk levels and our earnings can also be affected by the strength of the economy in general and in the particular locales in which we extend credit, a deterioration in credit quality or a reduced demand for credit and adverse changes in the financial performance or condition of our borrowers which could impact the borrowers' abilities to repay outstanding loans. Our provisions for credit losses were

significantly

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higher in 2009 and 2010 than in prior periods due to prolonged weakness in the economic environment. For a fuller discussion of the allowance and provision for credit losses for 2011, 2010, and 2009, see the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Asset Quality and Credit Risk Management in the 2011 Annual Report to Stockholders (pages 49-57).

The failure or instability of any of our significant counterparties could expose us to loss. The financial markets are characterized by extensive interconnections among financial institutions, including banks, broker/dealers, collective investment funds and insurance companies. As a result of these interconnections, we and many of our clients have significant counterparty exposure to other financial institutions. This counterparty exposure presents significant risks to us and to our clients because the failure or perceived weakness of any of our counterparties (or in some cases of our clients' counterparties) has the potential to expose us to risk of loss. The recent instability of the financial markets has resulted in many financial institutions becoming significantly less creditworthy, and as a result we are exposed to increased counterparty risks, both as principal and in our capacity as agent for our clients. Changes in market perception of the financial strength of particular financial institutions can occur rapidly, is often based upon a variety of factors and is difficult to predict. In addition, as U.S. and non-U.S. governments have addressed the financial crisis in an evolving manner, the criteria for and manner of governmental support of financial institutions and other economically important sectors remain uncertain. If a significant individual counterparty defaults on an obligation to us, we could incur financial losses that materially adversely affect our business, our financial condition and our results of operations. Given the limited number of strong counterparties in the current market, we are not able to mitigate all of our and our clients' counterparty credit risk. The consolidation of financial service firms and the failures of other financial institutions have increased the concentration of our counterparty risk.

Liquidity Risks

Northern Trust depends on access to capital markets to provide sufficient capital resources and other funds to meet our commitments and business needs and to accommodate the transaction and cash management needs of our clients.

Many events or circumstances could adversely affect our capital costs, our ability to raise capital and, in turn, our ability to meet our commitments. Inadequate capital or the inability to meet our commitments could cause us to incur liability, restrict our ability to grow, or require us to take actions that would negatively affect our earnings. Among the developments that could have this effect are:

A loss of confidence of debt purchasers, depositors or counterparties participating in the capital markets generally or in transactions with Northern Trust;

Disruption in the market for debt-related securities; and

A significant downgrade of any of our debt ratings. Credit agencies' ratings are volatile and they often change their methodology. Credit ratings and outlooks are opinions on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the ratings agencies and thus may change from time to time based on a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control, such as ratings agency-specific criteria or frameworks for our industry or certain security types, which are subject to revision from time to time, and conditions affecting the financial services industry generally. See the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Liquidity and Capital Resources in the 2011 Annual Report to Stockholders (pages 43-46).

Our success with large, complex clients can put strains on our balance sheet and impose substantial liquidity requirements. Our failure to successfully manage these balance sheet and liquidity issues would have a negative impact on our ability to meet client needs and grow.

If the Bank or the other subsidiaries of the Corporation were unable to supply the Corporation with funds over time, the Corporation could be unable to meet its various obligations. The Corporation is a legal entity separate and distinct from the Bank and its other subsidiaries. It relies primarily on dividends paid to it by these subsidiaries to meet its obligations and to pay dividends to stockholders of the Corporation. There are various legal limitations on the extent to which the Bank and the other subsidiaries can supply funds to the Corporation by dividend or otherwise. See "Regulation and Supervision" in Item 1 of this Annual Report on Form 10-K.

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Regulation Risks

Virtually every aspect of Northern Trust's business around the world is regulated, generally by governmental agencies that have broad supervisory powers and the ability to impose sanctions. In the United States, the Corporation, the Bank, and many of the Corporation's other subsidiaries are heavily regulated by bank regulatory agencies at the federal and state levels. These regulations cover a variety of matters ranging from required capital levels to prohibited activities. They are specifically directed at protecting depositors, the federal deposit insurance fund and the banking system as a whole, not security holders. The Corporation and its subsidiaries are also heavily regulated by bank, securities and other regulators globally.

Failure to comply with regulations can result in penalties and regulatory constraints that restrict our ability to grow or even conduct our business, or that reduce earnings. Regulatory violations or failure to meet formal or informal commitments made to regulators could generate penalties, require corrective actions that increase costs of conducting business, result in limitations on our ability to conduct business, restrict our ability to expand, or adversely impact our reputation. Failure to obtain necessary approvals from regulatory agencies on a timely basis could adversely affect proposed business opportunities and results of operations.

Changes in regulatory capital requirements could result in reduced earnings. The Dodd-Frank Act, the implementation of Basel II and, if adopted by regulators, the implementation of Basel III, could lead to significantly higher capital requirements, higher capital charges and more restrictive leverage and liquidity ratios, and could impact the capital allocations to various business activities. The ultimate impact of the evolving capital and liquidity standards on us will depend on a number of factors, including the interpretation and implementation of capital and leverage requirements by the U.S. banking regulators.

Compliance with evolving laws and regulations applicable to banks and other financial services companies may impact us in ways that are difficult to predict. Laws, regulations, economic sanctions, and their interpretation by regulatory agencies may change or generate enhanced scrutiny of particular activities. Those changes or enhanced emphasis can impose costs or otherwise affect our ability to compete successfully. The Dodd-Frank Act will impose many new regulatory requirements on banking institutions, the full impact of which are difficult to determine at this time. It is possible that additional legislative or regulatory requirements could be imposed or that the existing legislative or regulatory requirements could be reinterpreted in the U.S. or in other countries that could have an adverse impact on our business activities, our costs of compliance, and our revenues and earnings. Additionally, our understanding of legislative or regulatory requirements might be different than the enforcers' understanding of the regulations, leading to breaches. Moreover, many regulatory initiatives, including anti-money laundering rules, anti-bribery laws, home mortgage lending and loan modification requirements, and other regulatory requirements or priorities, could increase compliance costs and legal risks, and could lead to financial and reputational damage in the event of a violation. The full scope and impact of possible enhanced regulatory and enforcement scrutiny and evolving legislation and regulation is uncertain and difficult to predict.

See Regulation and Supervision in Item 1 of this Annual Report on Form 10-K.

Litigation Risks

Our businesses involve the risk that clients or others may sue us, claiming that we have failed to perform under a contract or otherwise failed to carry out a duty owed to them. Our trust, custody and investment management businesses are particularly subject to this risk. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. In addition, as a publicly-held company, we are subject to the risk of claims under the federal securities laws, and volatility in the stock prices of Northern Trust and other financial institutions increases this risk.

These claims can result in significant liability or damage to our reputation, which could result in a loss. Even where we defend them successfully, these matters are often expensive to defend. These claims may also cause damage to our reputation among existing and prospective clients, or negatively impact the confidence of counterparties, rating agencies, and stockholders, and so negatively affect our earnings.

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We may fail to set aside adequate reserves or otherwise underestimate our liability, with a negative effect on our earnings. We estimate our potential liability for pending and threatened claims, and record reserves when appropriate pursuant to U.S. GAAP, by evaluating the facts of particular claims under current judicial decisions and legislative and regulatory interpretations. This process is subject to the risk that a judge or jury could decide a case contrary to our evaluation of the law or the facts, and to the risk that a court could change or modify existing law on a particular issue important to the case. Earnings will be adversely affected to the extent that our reserves are not adequate.

Tax Risks

In the course of its business, Northern Trust is sometimes subject to challenges from U.S. and non-U.S. tax authorities regarding the amount of taxes due.

These challenges can result in reduced earnings in a number of ways. These challenges may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions, all of which can require a greater provision for taxes or otherwise negatively affect earnings.

Changes in tax laws and interpretations can negatively affect our earnings. Both U.S. and non-U.S. tax authorities from time to time issue new, or modify existing, tax laws and regulations. These authorities may also issue new, or modify existing, interpretations of those laws and regulations. These new laws, regulations or interpretations, and the Corporation's actions taken in response to, or reliance upon, such changes in the tax laws may impact the Corporation's tax position in a manner that results in lower earnings.

Strategic and Competitive Risks

We have grown through a combination of internal expansion and the acquisition of selected businesses or capabilities, and we intend to continue to do so. A variety of risks could interfere with these plans.

Intervention of the U.S. and other governments in the financial services industry may heighten the challenges we face. In response to the recent disruptions in global financial markets, the U.S. government and other governments around the world have taken, and may take further, unprecedented actions designed to stabilize markets generally and strengthen financial institutions in particular. For example, the Dodd-Frank Act, among other things, created a Consumer Financial Protection Bureau with broad powers to regulate consumer financial services and products and a Financial Stability Oversight Council with regulatory authority over certain financial companies and activities. Governments also may take actions to significantly change the way financial institutions are regulated, either through new legislation, new regulations, new applications of existing regulations or a combination of all of these methods. These actions may involve increased intervention by such governments and regulators in the normal operation of our businesses and the businesses of our competitors in the financial services industry. Such intervention may impact the nature and level of competition in the industry in unpredictable ways. The nature, pace and volume of this government intervention, and our ability to react in a timely manner to regulatory developments, may adversely impact our ability to compete successfully and, in turn, negatively affect our earnings.

If we do not successfully execute expansion plans, we will not grow as we have planned and our earnings growth will be negatively impacted. Failure to integrate a substantial acquisition would have an adverse effect on our business, as would the failure to execute successfully a significant internal expansion. The challenges arising from the integration of an acquired business or significant expansion of an existing business may include preserving valuable relationships with employees, clients, suppliers, and other business partners, as well as combining accounting, data processing and internal control systems.

Failure to execute our other strategies could also negatively affect our prospects. Our growth also depends upon successful, consistent execution of our business strategies in each business unit. Recruiting and maintaining skilled personnel, and deploying such key talent in a manner that allows execution of these strategies is important, particularly in highly complex and rapidly growing areas of our business. A failure to do so, or to otherwise successfully carry out our plans, could negatively impact growth.

We face a variety of competitive challenges that could negatively affect our ability to maintain satisfactory prices and grow our earnings. We provide a broad range of financial products and services in highly competitive markets, in which pricing can be a key competitive factor. Merger activity in the financial services industry,

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including mergers resulting from government intervention and the overall disruption in the financial services industry, continues to produce large, in some cases well-capitalized, and geographically-diverse companies that are capable of offering a wide array of financial products and services at competitive prices. In certain businesses, such as foreign exchange trading, electronic networks present a competitive challenge. Additionally, technological advances and the growth of internet-based commerce have made it possible for non-depository institutions to offer a variety of products and services competitive with certain areas of our business. Many of these non-traditional service providers have fewer regulatory constraints, and some have lower cost structures. These competitive pressures can negatively affect earnings and our ability to grow.

Failure to attract and retain skilled people could negatively affect our prospects. Our success depends, in large part, on our ability to attract and retain key talent. Competition for the best people in most of our activities can be intense and we may not be able to hire and retain key personnel, including as a result of any restrictions on our compensation practices that may be imposed by governments or regulators. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

We need to constantly invest in innovation, and the inability or failure to do so will negatively affect our businesses and earnings. Our success in this competitive environment requires consistent investment of capital and human resources in innovation. This investment is directed at generating new products and services, and adapting existing products and services to the evolving standards and demands of the marketplace. Among other things, investing in innovation helps us maintain a mix of products and services that keeps pace with our competitors and achieve acceptable margins. This investment also focuses on enhancing the delivery of our products and services in order to compete successfully for new clients or gain additional business from existing clients, and includes investment in technological innovation as well. Effectively identifying gaps or weaknesses in our product offerings also is important. Falling behind our competition in any of these areas could adversely affect our business opportunities, growth and earnings.

Failure to understand or fully appreciate the risks associated with development or delivery of new product and service offerings will negatively affect our businesses and earnings. Our success in capitalizing on innovation depends, in part, on successful implementation of new product and service initiatives. Not only must we keep pace with competitors in the development of these new offerings, but we must accurately price them (as well as existing products) on a risk-adjusted basis and effectively deliver them to clients. Our identification of risks arising from new products and services, both in their design and implementation, and effective responses to those identified risks, including pricing, is key to our capitalizing on innovation and investment in new product and service offerings.

Failure to adequately control our costs could negatively affect our ability to compete and thus reduce our earnings. Our success in controlling the costs and expenses of our business operations also impacts operating results. Another goal of innovation, as a part of our business strategy, is to produce efficiencies in operations that help reduce and control costs and expenses, including the costs of losses associated with operating risks attributable to servicing and managing financial assets.

Our success with large, complex clients requires understanding of the market and legal, regulatory and accounting standards in new jurisdictions. Any failure to understand and deal with those appropriately could affect our growth prospects or negatively affect our reputation.

Reputation Risks

An important reason that clients bring their business to Northern Trust is that they believe we will serve them with high standards of ethics, performance, accuracy and compliance.

Damage to our reputation can have a direct and negative effect on our ability to compete, grow and generate revenue. Damage to our reputation for delivery of a high level of service undermines the confidence of clients and prospects in our ability to serve them and so negatively affects our earnings.

Maintaining our reputation is important in other key relationships that affect our businesses and our earnings. Damage to our reputation also could affect the confidence of clients, rating agencies, regulators,

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stockholders and the other parties in a wide range of transactions that are important to our business. Failure to maintain our reputation would ultimately have an adverse effect on our ability to manage our balance sheet or grow our business.

Reputation risk has many facets that could negatively affect our businesses and earnings. Reputational risk is particularly significant in the current environment resulting from the financial crisis. The maintenance of our reputation depends not only on our success in controlling or mitigating the various risks described above, but also on our success in identifying and appropriately addressing issues that may arise in a broad range of areas. These issues include potential conflicts of interest and other ethical issues; anti-money laundering and anti-terrorist financing procedures; client personal information and privacy issues; effective evaluation of talent and deployment to adequately address complex and rapid growing areas of our businesses; efficiently integrating current staff with their new responsibilities and new staff that are not as familiar with the organization as retiring staff as seamlessly as possible; data security; record-keeping; regulatory investigations of Northern Trust or within the banking industry; and any litigation that arises from the failure or perceived failure of Northern Trust to comply with legal and regulatory requirements.

Many of the risks described above 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 2011 Annual Report to Stockholders (pages 49-61), in the section of the Notes to Consolidated Financial Statements in the 2011 Annual Report to Stockholders captioned Note 25 Contingent Liabilities (pages 111 and 112), and in the sections of Item 1 Business of this Annual Report on Form 10-K captioned Government Monetary and Fiscal Policies, Competition and Regulation and Supervision (pages 3-14).

Additionally, the risks described above may cause actual results to differ from the Corporation's current expectations of future events or future results indicated in what are considered forward-looking statements of the Corporation. Forward-looking statements and factors that may affect future results are also discussed in the section of Management's Discussion and Analysis of Financial Condition and Results of Operations captioned Factors Affecting Future Results in the 2011 Annual Report to Stockholders (pages 62 and 63).

Item 1B Unresolved Staff Comments

None.

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Item 2 Properties

The executive offices of the Corporation and the Bank are located at 50 South LaSalle Street in Chicago. This Bank-owned building is occupied by various divisions of Northern Trust's business units. Adjacent to this building are two office buildings in which the Bank leases approximately 530,000 square feet of space principally for staff divisions of the business units. Financial services are provided by the Bank and other subsidiaries of the Corporation through a network of offices in 18 U.S. states, Washington D.C., and 16 international locations. The majority of those offices are leased. The Bank's primary U.S. operations are located in four facilities: a 555,000 square foot leased facility at 801 South Canal Street in Chicago; 240,000 square feet at 231 South LaSalle Street in Chicago in a sublease arrangement that commenced in first quarter 2011; and two Bank-owned supplementary operations/data center buildings of 65,000 and 73,000 square feet located in the western suburbs of Chicago. A majority of the Bank's London-based staff is located at Canary Wharf in London, where 188,000 square feet of office space is leased. Additional support and operations activity originates from Bangalore, where we lease approximately 330,000 square feet in two facilities. The Bank and the Corporation's other subsidiaries operate from various other facilities in North America, Europe, the Asia Pacific region, and the Middle East, most of which are leased. In addition to the above-referenced properties, subsidiaries of the Corporation maintain a number of small operations classified as retirement home/limited access banking locations, back offices, or executive suites.

The Corporation believes that its owned and leased facilities are suitable and adequate for its business needs. For additional information relating to properties and lease commitments, refer to Note 9 Buildings and Equipment and Note 10 Lease Commitments on pages 94 and 95 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, which information is incorporated herein by reference.

Item 3 Legal Proceedings

The information presented in Note 25 Contingent Liabilities on pages 111 and 112 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011 is incorporated herein by reference.

Item 4 Removed and Reserved

Table of Contents**PART II****Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The information called for by Item 5(a) relating to market price, dividend and related stockholder information is incorporated herein by reference to the section of the Consolidated Financial Statistics titled "Common Stock Dividend and Market Price" on page 130 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

Information regarding dividend restrictions of the Corporation's banking subsidiaries is incorporated herein by reference to Note 30 "Restrictions on Subsidiary Dividends and Loans or Advances" on pages 120 and 121 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

The following table shows certain information relating to the Corporation's purchases of common stock for the three months ended December 31, 2011 pursuant to the Corporation's share buyback program:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of a Publicly Announced Plan (2) | Maximum Number of Shares That May Yet Be Purchased Under the Plan |
|------------------------|--------------------------------------|------------------------------|---|---|
| October 1 - 31, 2011 | 3,804 | 38.94 | 3,804 | |
| November 1 - 30, 2011 | | | | |
| December 1 - 31, 2011 | 27,973 | 40.29 | 27,973 | |
| Total (Fourth Quarter) | 31,777 | 40.13 | 31,777 | 5,579,709 |

- (1) Includes shares purchased from employees in connection with equity plan transactions such as the surrender of shares to pay an option exercise price or tax withholding.
- (2) The Corporation's current stock buyback program, announced October 27, 2006, authorizes the purchase of up to 12.0 million shares of the Corporation's common stock. The program has no fixed expiration date.

Item 6 Selected Financial Data

The information called for by this item is incorporated herein by reference to the table titled "Summary of Selected Consolidated Financial Data" on page 18 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The information called for by this item is incorporated herein by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 19 through 63 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

Item 7A Quantitative and Qualitative Disclosures About Market Risk

The information called for by this item is incorporated herein by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 57 through 60 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

Table of Contents**Item 8 Financial Statements and Supplementary Data**

The following financial statements of the Corporation and its subsidiaries included in the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, are incorporated herein by reference.

| | 2011 Annual Report Page(s) |
|---|---|
| For Northern Trust Corporation and Subsidiaries: | |
| <u>Consolidated Balance Sheet December 31, 2011 and 2010</u> | 66 |
| <u>Consolidated Statement of Income Years Ended December 31, 2011, 2010, and 2009</u> | 67 |
| <u>Consolidated Statement of Comprehensive Income Years Ended December 31, 2011, 2010, and 2009</u> | 67 |
| <u>Consolidated Statement of Changes in Stockholders' Equity Years Ended December 31, 2011, 2010, and 2009</u> | 68 |
| <u>Consolidated Statement of Cash Flows Years Ended December 31, 2011, 2010, and 2009</u> | 69 |
| For Northern Trust Corporation (Corporation only): | |
| <u>Condensed Balance Sheet December 31, 2011 and 2010</u> | 125 |
| <u>Condensed Statement of Income Years Ended December 31, 2011, 2010, and 2009</u> | 125 |
| <u>Consolidated Statement of Comprehensive Income Years Ended December 31, 2011, 2010, and 2009</u> | 67 |
| <u>Consolidated Statement of Changes in Stockholders' Equity Years Ended December 31, 2011, 2010, and 2009</u> | 68 |
| <u>Condensed Statement of Cash Flows Years Ended December 31, 2011, 2010, and 2009</u> | 126 |
| <u>Notes to Consolidated Financial Statements</u> | 70-126 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 127 |
| The section titled "Quarterly Financial Data" on page 130 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, is incorporated herein by reference. | |

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Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A Controls and Procedures

The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Corporation (including its consolidated subsidiaries) required to be included in the Corporation's periodic filings under the Exchange Act. There have been no changes in the Corporation's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

The information called for by Item 9A relating to the report of management on the Corporation's internal control over financial reporting and the attestation report of the Corporation's independent registered public accounting firm is incorporated herein by reference to pages 64 and 65 of the Corporation's Annual Report to Stockholders for the year ended December 31, 2011.

Item 9B Other Information

Not applicable.

PART III

Item 10 Directors, Executive Officers and Corporate Governance

The information called for by Item 10 relating to Directors and Nominees for election to the Board of Directors is incorporated herein by reference to the Election of Directors and Information about the Nominees for Director sections of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012. The information called for by Item 10 relating to Executive Officers is set forth in Part I of this Annual Report on Form 10-K.

The information called for by Item 10 relating to Regulation S-K, Item 405 disclosure of delinquent Form 3, 4 or 5 filers is incorporated by reference to the Security Ownership of the Board and Management Section 16(a) Beneficial Ownership Reporting Compliance section of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012.

The information called for by Item 10 relating to Regulation S-K, Item 406 disclosure regarding the Corporation's code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is incorporated by reference to the Corporate Governance Code of Business Conduct and Ethics section of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012.

The information called for by Item 10 relating to Regulation S-K, Item 407(c)(3) disclosure of procedures by which security holders may recommend nominees to the Corporation's board of directors is incorporated by reference to the Corporate Governance Director Nominations and Qualifications section of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012. The information called for by Item 10 relating to Regulation S-K, Item 407(d)(4) and (d)(5) disclosure of the Corporation's audit committee financial experts and identification of the Corporation's audit committee is incorporated by reference to the Board and Board Committee Information Audit Committee section of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012.

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Item 11 Executive Compensation

The information called for by this item is incorporated herein by reference to the following sections of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012: (a) the Executive Compensation Compensation and Benefits Committee Report section, (b) the Corporate Governance Compensation Committee Interlocks and Insider Participation section, and (c) the Summary Compensation Table, Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year-End, Option Exercises and Stock Vested, Pension Benefits, Potential Payments upon Termination of Employment or a Change in Control, and Director Compensation subsections of the Compensation and Discussion Analysis section.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this item is incorporated herein by reference to the Security Ownership of the Board and Management, Security Ownership of Certain Beneficial Owners, and Equity Compensation Plan Information sections of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012. From time to time members of senior management and other executives of the Corporation may enter into stock trading plans under Rule 10b5-1, including plans that provide for the sale of Corporation stock. The Corporation undertakes no obligation to disclose the existence of any particular plan or any change, termination or expiration of any Rule 10b5-1 plan.

Item 13 Certain Relationships and Related Transactions, and Director Independence

The information called for by this item is incorporated herein by reference to the Corporate Governance Director Independence and the Corporate Governance Related Person Transaction Policy sections of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012.

Item 14 Principal Accountant Fees and Services

The information called for by this item is incorporated herein by reference to the Ratification of Independent Registered Public Accounting Firm Fees of Independent Public Accounting Firm and Ratification of Independent Registered Public Accounting Firm Pre-Approval Policies and Procedures of the Audit Committee sections of the Corporation's definitive 2012 Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2012.

PART IV

Item 15 Exhibits and Financial Statement Schedules

Item 15(a)(1) and (2) Northern Trust Corporation and Subsidiaries List of Financial Statements and Financial Statement Schedules

The following financial information is set forth in Item 1 for informational purposes only:

Financial Information of The Northern Trust Company (Bank only):

Unaudited Consolidated Balance Sheet December 31, 2011 and 2010.

Unaudited Consolidated Statement of Income Years Ended December 31, 2011, 2010, and 2009.

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The following consolidated financial statements of the Corporation and its subsidiaries are incorporated by reference into Item 8 from the Corporation's Annual Report to Stockholders for the year ended December 31, 2011:

Consolidated Financial Statements of Northern Trust Corporation and Subsidiaries:

Consolidated Balance Sheet December 31, 2011 and 2010.

Consolidated Statement of Income Years Ended December 31, 2011, 2010, and 2009.

Consolidated Statement of Comprehensive Income Years Ended December 31, 2011, 2010, and 2009.

Consolidated Statement of Changes in Stockholders' Equity Years Ended December 31, 2011, 2010, and 2009.

Consolidated Statement of Cash Flows Years Ended December 31, 2011, 2010, and 2009.

The following financial information is incorporated by reference into Item 8 from the Corporation's Annual Report to Stockholders for the year ended December 31, 2011:

Financial Statements of Northern Trust Corporation (Corporation only):

Condensed Balance Sheet December 31, 2011 and 2010.

Condensed Statement of Income Years Ended December 31, 2011, 2010, and 2009.

Consolidated Statement of Comprehensive Income Years Ended December 31, 2011, 2010, and 2009.

Consolidated Statement of Changes in Stockholders' Equity Years Ended December 31, 2011, 2010, and 2009.

Condensed Statement of Cash Flows Years Ended December 31, 2011, 2010, and 2009.

The Notes to Consolidated Financial Statements as of December 31, 2011 incorporated by reference into Item 8 from the Corporation's Annual Report to Stockholders for the year ended December 31, 2011, pertain to the Bank only information, consolidated financial statements and Corporation only information listed above.

The Report of Independent Registered Public Accounting Firm incorporated by reference into Item 8 from the Corporation's Annual Report to Stockholders for the year ended December 31, 2011 pertains to the consolidated financial statements listed above.

Financial statement schedules have been omitted for the reason that they are not required or are not applicable.

Item 15(a)(3) Exhibits

The exhibits listed on the Exhibit Index beginning on page 45 of this Annual Report on Form 10-K are filed herewith or are incorporated herein by reference to other filings.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2012

Northern Trust Corporation

(Registrant)

By: /s/ Frederick H. Waddell
Frederick H. Waddell

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature

Title

/s/ Frederick H. Waddell

Chairman and Chief Executive Officer

Frederick H. Waddell

/s/ Michael G. O Grady

Executive Vice President and Chief Financial Officer

Michael G. O Grady

/s/ Aileen B. Blake

Executive Vice President and Controller

Aileen B. Blake

(Chief Accounting Officer)

| | | | |
|-------------------------|-----------------------|---|-------------------------|
| Frederick H. Waddell | Chairman and Director |) | |
| Linda Walker Bynoe | Director |) | |
| Nicholas D. Chabraja | Director |) | |
| Susan Crown | Director |) | |
| Dipak C. Jain | Director |) | /s/ Kelly R. Welsh |
| Robert W. Lane | Director |) | <i>Kelly R. Welsh</i> |
| Robert C. McCormack | Director |) | <i>Attorney-in-Fact</i> |
| Edward J. Mooney | Director |) | |
| John W. Rowe | Director |) | |
| Martin P. Slark | Director |) | |
| David H. B. Smith, Jr. | Director |) | |
| Enrique J. Sosa | Director |) | |
| Charles A. Tribbett III | Director |) | |

Date: February 24, 2012

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| Exhibit Number | Description |
|---------------------------|---|
| 3.1 | Restated Certificate of Incorporation of Northern Trust Corporation, as amended to date (incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K dated April 18, 2006). |
| 3.2 | By-laws, as amended to date (incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K dated February 17, 2010). |
| 4.1 | Form of The Northern Trust Company's Global Senior Bank Note (Fixed Rate) (incorporated herein by reference to Exhibit 4(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011). |
| 4.2 | Form of The Northern Trust Company's Global Senior Bank Note (Floating Rate) (incorporated herein by reference to Exhibit 4(iv) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011). |
| 4.3 | Form of The Northern Trust Company's Global Subordinated Bank Note (Fixed Rate) (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011). |
| 4.4 | Form of The Northern Trust Company's Global Subordinated Bank Note (Floating Rate) (incorporated herein by reference to Exhibit 10(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011). |
| 4.5 | Junior Subordinated Indenture, dated as of January 1, 1997, between Northern Trust Corporation and The First National Bank of Chicago, as Debenture Trustee (incorporated herein by reference to Exhibit 4(a) to the Corporation's Current Report on Form 8-K dated January 16, 1997). |
| 4.6 | Amended Certificate of Designations of Series A Junior Participating Preferred Stock, dated October 29, 1999 (incorporated herein by reference to Exhibit 4(vi) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999). |
| 4.7 | Fiscal Agency Agreement, dated March 11, 2005, by and among The Northern Trust Company as Issuer, Kredietbank S.A. Luxembourgeoise as Fiscal Agent, and Kredietbank S.A. Luxembourgeoise and Brown Shipley & Co. Limited as Paying Agents (incorporated herein by reference to Exhibit 4(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005). |
| 4.8 | Indenture, dated as of August 15, 2006, between Northern Trust Corporation and JPMorgan Chase Bank, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 23, 2006). |
| 4.9 | Form of 5.30% Note due 2011 (incorporated herein by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated August 23, 2006). |
| 4.10 | Form of 5.20% Note due 2012 (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated November 6, 2007). |
| 4.11 | Form of 5.50% Note due 2013 (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 6, 2008). |
| 4.12 | Form of 4.625% Note due 2014 (incorporated herein by reference to Exhibit 4 to the Corporation's Current Report on Form 8-K dated August 28, 2009). |

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| Exhibit Number | Description |
|-----------------------|--|
| 4.13 | Form of 3.450% Note due 2020 (incorporated herein by reference to Exhibit 4 to the Corporation's Current Report on Form 8-K dated November 4, 2010). |
| 4.14 | Form of 3.375% Note due 2021 (incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated August 17, 2011). |
| 10.1** | Deferred Compensation Plans Trust Agreement, dated May 11, 1998, between Northern Trust Corporation and Harris Trust and Savings Bank as Trustee (which, effective August 31, 1999, was succeeded by U.S. Trust Company, N.A. and effective June 1, 2009, was succeeded by Evercore Trust Company, N.A.) regarding the Supplemental Employee Stock Ownership Plan for Employees of The Northern Trust Company, the Supplemental Thrift-Incentive Plan for Employees of The Northern Trust Company, the Supplemental Pension Plan for Employees of The Northern Trust Company, and the Northern Trust Corporation Deferred Compensation Plan (incorporated herein by reference to Exhibit 10(iv) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998). |
| (i)** | Amendment, dated August 31, 1999 (incorporated herein by reference to Exhibit 10(iv) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999). |
| (ii)** | Amendment, dated as of May 16, 2000 (incorporated herein by reference to Exhibit 10(v) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000). |
| 10.2** | Northern Trust Corporation Supplemental Employee Stock Ownership Plan, as amended and restated effective as of January 1, 2008 (incorporated herein by reference to Exhibit 10(vi) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| 10.3** | Northern Trust Corporation Supplemental Thrift-Incentive Plan, as amended and restated effective as of January 1, 2008 (incorporated herein by reference to Exhibit 10(vii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| (i)** | Amendment Number One, dated October 29, 2009 and effective January 1, 2010 (incorporated herein by reference to Exhibit (10)(vi)(1) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.4** | Northern Trust Corporation Supplemental Pension Plan, as amended and restated effective January 1, 2009 (incorporated herein by reference to Exhibit 10(viii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| 10.5** | Northern Trust Corporation Deferred Compensation Plan, as amended and restated effective as of January 1, 2008 (incorporated herein by reference to Exhibit 10(ix) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| 10.6** | Amended 1992 Incentive Stock Plan (incorporated herein by reference to Exhibit (10)(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997). |
| (i)** | Amendment, dated January 20, 1998 (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| (ii)** | Amendment, dated September 15, 1998 (incorporated herein by reference to Exhibit 10(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| (iii)** | Amendment, dated May 18, 1999 (incorporated herein by reference to Exhibit 10(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| (iv)** | Amendment, dated September 25, 2001 (incorporated herein by reference to Exhibit (10)(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). |

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| Exhibit Number | Description |
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| 10.7** | Amended and Restated Northern Trust Corporation 2002 Stock Plan, effective as of January 1, 2008 (incorporated herein by reference to Exhibit 10(xiv) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| (i)** | Form of Stock Option Terms and Conditions (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| (ii)** | Form of Stock Award Agreement (incorporated herein by reference to Exhibit 10.2 to the Corporation's Current Report on Form 8-K dated February 15, 2005). |
| (iii)** | Form of Stock Unit Award Terms and Conditions (incorporated herein by reference to Exhibit 10(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| (iv)** | Form of Addendum to Award Agreement (incorporated herein by reference to Exhibit 10.4 to the Corporation's Current Report on Form 8-K dated February 15, 2005). |
| (v)** | Form of Non-Solicitation Agreement and Confidentiality Agreement (incorporated herein by reference to Exhibit 10(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). |
| (vi)** | Form of Director Stock Agreement (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter year ended March 31, 2011). |
| (vii)** | Form of New Director Stock Agreement (incorporated herein by reference to Exhibit 10(iii) to the Corporation's Quarterly Report on Form 10-Q for the quarter year ended March 31, 2011). |
| (viii)** | Form of Advisory Director Cash-Settled Stock Unit Agreement (incorporated herein by reference to Exhibit 10(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter year ended March 31, 2011). |
| (ix)** | Form of Director Prorated Stock Agreement (incorporated herein by reference to Exhibit 10(iv) to the Corporation's Quarterly Report on Form 10-Q for the quarter year ended March 31, 2011). |
| (x)** | Form of Performance Stock Unit Award (incorporated herein by reference to Exhibit 10(xiv)(8) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). |
| (xi)** | 2010 Form of Stock Option Terms and Conditions (incorporated herein by reference to Exhibit 10(x)(9) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| (xii)** | 2010 Form of Restricted Stock Unit Terms and Conditions (incorporated herein by reference to Exhibit 10(x)(10) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| (xiii)** | 2010 Form of Cash-Settled Stock Unit Award (incorporated herein by reference to Exhibit (10)(x)(11) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| (xiv)** | 2010 Form of Cash-Settled Stock Unit Award (incorporated herein by reference to Exhibit (10)(x)(11) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| (xv)** | 2010 Form of Director Stock Agreement (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). |

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| Exhibit Number | Description |
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| (xvi)** | 2010 Form of Prorated Director Stock Agreement (incorporated herein by reference to Exhibit (10)(x)(13) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| (xvii)** | 2010 Form of New Director Stock Agreement (incorporated herein by reference to Exhibit 10(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). |
| (xviii)** | 2011 Executive Stock Option Terms and Conditions (incorporated herein by reference to Exhibit 10(v) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011). |
| (xviii)** | 2011 Stock Unit Award Terms and Conditions (incorporated herein by reference to Exhibit 10(vi) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011). |
| (xviii)** | 2011 Cash-Settled Stock Unit Award Terms and Conditions (incorporated herein by reference to Exhibit 10(vii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011). |
| (xix)** | Form of 2012 Executive Stock Option Agreement (1 of 3) |
| (xx)** | Form of 2012 Executive Stock Option Agreement (2 of 3) |
| (xxi)** | Form of 2012 Executive Stock Option Agreement (3 of 3) |
| (xxii)** | Form of 2012 Performance Stock Unit Agreement |
| (xxiii)** | Form of 2012 Restricted Stock Unit Agreement (1 of 3) |
| (xxiv)** | Form of 2012 Restricted Stock Unit Agreement (2 of 3) |
| (xxv)** | Form of 2012 Restricted Stock Unit Agreement (3 of 3) |
| 10.8** | Northern Trust Corporation Management Performance Plan, as amended and restated effective July 15, 2008 (incorporated herein by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008). |
| 10.9** | Northern Trust Corporation 1997 Stock Plan for Non-Employee Directors (incorporated herein by reference to Exhibit (10)(xix) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998). |
| 10.10** | Northern Trust Corporation 1997 Deferred Compensation Plan for Non-Employee Directors, as amended and restated effective as of January 1, 2008 (incorporated herein by reference to Exhibit 10(xvii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). |
| (i)** | First Amendment, dated October 20, 2009 (incorporated herein by reference to Exhibit (10)(xiii)(1) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). |
| 10.11** | Form of Employment Security Agreement (Tier 1) (incorporated herein by reference to Exhibit (10)(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007). |
| 10.11** | Revised Form of Employment Security Agreement (Tier 1) (incorporated herein by reference to Exhibit (10)(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011). |

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| Exhibit Number | Description |
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| 10.12** | Form of Employment Security Agreement (Tier 2) (incorporated herein by reference to Exhibit 10.I to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010). |
| 10.13 | Amended and Restated Trust Agreement of NTC Capital I, dated as of January 16, 1997, among Northern Trust Corporation, as Depositor, The First National Bank of Chicago, as Property Trustee, First Chicago Delaware, Inc., as Delaware Trustee, and the Administrative Trustees named therein (incorporated herein by reference to Exhibit 4(h) to the Corporation's Current Report on Form 8-K dated January 16, 1997). |
| 10.14 | Guarantee Agreement, dated as of January 16, 1997, relating to NTC Capital I, by and between Northern Trust Corporation, as Guarantor, and The First National Bank of Chicago, as Guarantee Trustee (incorporated herein by reference to Exhibit 4(j) to the Corporation's Current Report on Form 8-K dated January 16, 1997). |
| 10.15 | Amended and Restated Trust Agreement of NTC Capital II, dated as of April 25, 1997, among Northern Trust Corporation, as Depositor, The First National Bank of Chicago, as Property Trustee, First Chicago Delaware, Inc., as Delaware Trustee, and the Administrative Trustees named therein (incorporated herein by reference to Exhibit (4)(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997). |
| 10.16 | Guarantee Agreement, dated as of April 25, 1997, relating to NTC Capital II, by and between Northern Trust Corporation, as Guarantor, and The First National Bank of Chicago, as Guarantee Trustee (incorporated herein by reference to Exhibit (4)(ii) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997). |
| 10.17** | Northern Partners Incentive Plans |
| (i)** | North American Plan, as amended and restated effective as of November 1, 2010 (incorporated herein by reference to Exhibit (10)(xviii)(1) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2010) |
| (ii)** | EMEA Plan, as amended and restated effective as of November 1, 2010 (incorporated herein by reference to Exhibit (10)(xviii)(2) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2010) |
| (iii)** | APAC Plan, as amended and restated effective as of November 1, 2010 (incorporated herein by reference to Exhibit (10)(xviii)(3) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2010). |
| 10.18 | Northern Trust Corporation Executive Financial Consulting and Tax Preparation Services Plan, as amended and restated effective January 1, 2008 (incorporated herein by reference to Exhibit 10 (xxxiii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). |
| 10.19** | Form of Terms and Conditions 2012 Long-Term Cash Incentive Award under the Long-Term Cash Incentive Plan |
| 13 | 2011 Annual Report to Stockholders. |
| 14 | Code of Business Conduct and Ethics (incorporated herein by reference to Exhibit 14.1 to the Corporation's Current Report on Form 8-K dated July 19, 2011). |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Independent Registered Public Accounting Firm. |

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| Exhibit Number | Description |
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| 24 | Powers of Attorney. |
| 31 | Rule 13a-14(a)/15d-14(a) Certification of CEO and CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99 | Corporate Governance Guidelines (incorporated herein by reference to Exhibit 99.1 to the Corporation's Current Report on Form 8-K dated February 17, 2010). |
| 101 | The following financial and related information from the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statement of Income, (iii) the Consolidated Statement of Comprehensive Income, (iv) the Consolidated Statement of Changes in Stockholders' Equity, (v) the Consolidated Statement of Cash Flows, and (vi) Notes to Consolidated Financial Statements. |

** Indicates a management contract or a compensatory plan or agreement

Upon written request to Rose A. Ellis, Secretary, Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois 60603, copies of exhibits listed above are available to Northern Trust Corporation stockholders by specifically identifying each exhibit desired in the request. In addition, prior filings in which the exhibits listed above are included are available free of charge through our website www.northerntrust.com, if the filings were made on or after May 1, 1996. Information contained on the web site is not part of this report.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Corporation hereby agrees to furnish the SEC, upon request, any instrument defining the rights of holders of long-term debt of the Corporation not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis.

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