

NORTHERN TRUST CORP
Form 10-Q
July 31, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2006

OR

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

For the transition period from _____ to _____

Commission File No. 0-5965

NORTHERN TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

50 South LaSalle Street

Chicago, Illinois

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

60603

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(Address of principal executive offices)

(Zip Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

217,914,130 Shares - \$1.66 ²/₃ Par Value

(Shares of Common Stock Outstanding on June 30, 2006)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

NORTHERN TRUST CORPORATION

(\$ In Millions Except Share Information)	June 30 2006	December 31 2005	June 30 2005
Assets			
Cash and Due from Banks	\$ 4,356.7	\$ 2,996.2	\$ 1,929.3
Federal Funds Sold and Securities Purchased under Agreements to Resell	1,672.1	4,845.1	2,597.5
Time Deposits with Banks	12,020.6	11,123.1	9,992.6
Other Interest-Bearing Securities	27.4	67.5	35.7
Available for Sale	9,399.9	9,970.7	7,177.9
Held to Maturity (Fair value - \$1,116.3 at June 2006, \$1,161.6 at December 2005, \$1,189.2 at June 2005)	1,112.7	1,135.5	1,152.2
Trading Account	9.9	2.8	1.5
Total Securities	10,522.5	11,109.0	8,331.6
Loans and Leases			
Commercial and Other	12,699.8	11,628.0	11,775.5
Residential Mortgages	8,597.4	8,340.5	8,193.3
Total Loans and Leases (Net of unearned income - \$472.6 at June 2006, \$451.1 at December 2005, \$465.7 at June 2005)	21,297.2	19,968.5	19,968.8
Reserve for Credit Losses Assigned to Loans and Leases	(133.5)	(125.4)	(129.9)
Buildings and Equipment	463.2	471.5	476.5
Customers Acceptance Liability	.4	.7	1.0
Trust Security Settlement Receivables	255.2	317.0	165.0
Other Assets	2,844.1	2,640.6	2,887.5
Total Assets	\$ 53,325.9	\$ 53,413.8	\$ 46,255.6
Liabilities			
Deposits			
Demand and Other Noninterest-Bearing	\$ 4,825.1	\$ 5,383.6	\$ 5,580.8
Savings and Money Market	6,338.3	8,278.9	7,295.0
Savings Certificates	1,595.0	1,565.2	1,497.3
Other Time	380.5	391.6	376.5
Non-U.S. Offices - Demand	2,219.7	2,043.2	1,069.9
- Time	23,324.5	20,857.0	17,237.6
Total Deposits	38,683.1	38,519.5	33,057.1
Federal Funds Purchased	1,123.8	1,096.9	949.0
Securities Sold Under Agreements to Repurchase	1,719.6	1,610.8	1,605.9
Commercial Paper		144.6	145.6
Other Borrowings	2,809.7	2,647.9	892.2
Senior Notes	283.5	272.5	279.3
Long-Term Debt	2,666.5	2,818.1	3,142.0
Floating Rate Capital Debt	276.4	276.4	276.4
Liability on Acceptances	.4	.7	1.0
Other Liabilities	1,954.5	2,425.6	2,460.8
Total Liabilities	49,517.5	49,813.0	42,809.3

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Stockholders Equity

Common Stock, \$1.66 ² / ₃ Par Value; Authorized 560,000,000 shares; Outstanding 217,914,130 shares at June 2006, 218,128,986 shares at December 2005 and 218,361,617 shares at June 2005	379.8	379.8	379.8
Additional Paid-In Capital	32.3		
Retained Earnings	3,902.8	3,672.1	3,482.5
Accumulated Other Comprehensive Income	(23.2)	(18.7)	(15.5)
Common Stock Issuable - Stock Incentive Plans		55.5	73.1
Deferred Compensation		(29.5)	(35.2)
Treasury Stock (at cost, 10,007,394 shares at June 2006, 9,792,538 shares at December 2005 and 9,559,907 shares at June 2005)	(483.3)	(458.4)	(438.4)
Total Stockholders Equity	3,808.4	3,600.8	3,446.3
Total Liabilities and Stockholders Equity	\$ 53,325.9	\$ 53,413.8	\$ 46,255.6

CONSOLIDATED STATEMENT OF INCOME

NORTHERN TRUST CORPORATION

(\$ In Millions Except Per Share Information)	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2006	2005	2006	2005
Noninterest Income				
Trust, Investment and Other Servicing Fees	\$ 452.8	\$ 402.1	\$ 895.3	\$ 759.3
Foreign Exchange Trading Income	84.4	51.6	140.2	89.8
Treasury Management Fees	16.7	18.4	33.7	38.1
Security Commissions and Trading Income	16.0	14.4	31.6	28.5
Other Operating Income	23.2	21.1	44.6	41.2
Investment Security Gains	.2		.3	.1
Total Noninterest Income	593.3	507.6	1,145.7	957.0
Net Interest Income				
Interest Income	540.8	394.8	1,017.9	738.3
Interest Expense	357.9	229.7	659.7	415.8
Net Interest Income	182.9	165.1	358.2	322.5
Provision for Credit Losses	3.0		7.0	
Net Interest Income after Provision for Credit Losses	179.9	165.1	351.2	322.5
Noninterest Expenses				
Compensation	221.1	197.0	437.8	375.2
Employee Benefits	55.9	48.9	111.2	95.3
Occupancy Expense	39.2	32.7	74.3	63.0
Equipment Expense	19.6	20.6	39.2	39.9
Other Operating Expenses	156.2	142.4	302.8	263.2
Total Noninterest Expenses	492.0	441.6	965.3	836.6
Income before Income Taxes	281.2	231.1	531.6	442.9
Provision for Income Taxes	113.3	81.1	200.7	153.8
Net Income	\$ 167.9	\$ 150.0	\$ 330.9	\$ 289.1
Per Common Share				
Net Income				
- Basic	\$.77	\$.69	\$ 1.52	\$ 1.32
- Diluted	.76	.68	1.49	1.31
Cash Dividends Declared	.23	.21	.46	.42
Average Number of Common Shares				
Outstanding - Basic	217,785,721	218,114,436	217,716,242	218,283,040
- Diluted	221,589,312	221,335,272	221,532,654	221,495,666

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NORTHERN TRUST CORPORATION

Three Months
Ended June 30 Six Months

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(\$ In Millions)	Ended June 30			
	2006	2005	2006	2005
Net Income	\$ 167.9	\$ 150.0	\$ 330.9	\$ 289.1
Other Comprehensive Income (net of tax)				
Net Unrealized Gains (Losses) on Securities Available for Sale	.3	.1	(1.5)	(.2)
Net Unrealized Gains (Losses) on Cash Flow Hedge Designations	2.1	(1.6)	1.6	(1.4)
Foreign Currency Translation Adjustments	1.4	.9	(4.6)	.8
Other Comprehensive Income	3.8	(.6)	(4.5)	(.8)
Comprehensive Income	\$ 171.7	\$ 149.4	\$ 326.4	\$ 288.3

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY - NORTHERN TRUST CORPORATION

(In Millions)	Six Months Ended	
	June 30 2006	June 30 2005
Common Stock		