NORTHERN TRUST CORP
Form 10-K
February 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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. 001-36609

NORTHERN TRUST CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-2723087
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
50 South La Salle Street	
Chicago, Illinois	60603
(Address of principal executive offices)	(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 LLC
Depositary Shares, each representing 1/1000th interest in a share of Series C Non-Cumulative Perpetual Preferred Stock	The NASDAQ Stock Market LLC

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 x 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 x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 x 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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the registrant's common stock as of June 30, 2015 (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, 2015 as reported by The NASDAQ Stock Market LLC, held by non-affiliates was approximately $17.7 billion. 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 January 31, 2016, 228,984,161 shares of common stock, $1.66 2/3 par value, were outstanding.

Portions of the registrant's Proxy Statement for its 2016 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

NORTHERN TRUST CORPORATION
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) 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 19 U.S. states, Washington, D.C., and 20 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. At December 31, 2015, the Corporation had consolidated total assets of $116.7 billion and stockholders' equity of $8.7 billion.
The Bank is an Illinois banking corporation headquartered in Chicago 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, 2015, the Bank had consolidated assets of $116.4 billion and common bank equity capital of $7.9 billion.
The Corporation expects that the Bank will continue in the foreseeable future to be the major source of the Corporation's consolidated assets, revenues, and net income. Except where the context otherwise requires, references to "Northern Trust," "we," "us," "our" or similar terms mean Northern Trust Corporation and its subsidiaries on a consolidated basis.
In addition to the following information regarding Northern Trust's business, the reporting segment and geographic area information included in Note 31, "Reporting Segments and Related Information," provided in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K is incorporated herein by reference.

Business Overview
Northern Trust focuses on managing and servicing client assets through its two client-focused reporting segments: Corporate & Institutional Services (C&IS) and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business. The revenue and expenses of Asset Management and certain other support functions are allocated fully to C&IS and Wealth Management. Northern Trust also makes use of a third reporting segment, Treasury and Other, under which it reports certain income and expense items not allocated to C&IS and Wealth Management.

CORPORATE & INSTITUTIONAL SERVICES
C&IS is a leading global provider of asset servicing and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, sovereign wealth funds, and other institutional investors around the globe. Asset servicing and related services encompass a full range of capabilities including, but not limited to: global custody; fund administration; investment operations outsourcing; investment management; investment risk and analytical services; employee benefit services; securities lending; foreign exchange; treasury management; brokerage services; transition management services; banking; and cash management. Client relationships are managed through the Bank and the Bank's and the Corporation's other subsidiaries, including support from locations in North America, Europe, the Middle East, and the Asia-Pacific region. At December 31, 2015, total C&IS assets under custody were $5.6 trillion and assets under management were $648.0 billion.

WEALTH MANAGEMENT
Wealth Management focuses on high-net-worth individuals and families, business owners, executives, professionals, retirees, and established privately-held businesses in its target markets. The business also includes the Global Family Office, which provides customized 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. In supporting these targeted segments, Wealth Management provides trust, investment management, custody, and philanthropic services; financial consulting; guardianship and estate administration; family business consulting; family financial education; brokerage

services; and private and business banking.

Wealth Management is one of the largest providers of advisory services in the United States, with $506.3 billion in assets under custody and $227.3 billion in assets under management at December 31, 2015. Wealth Management services are delivered by multidisciplinary teams through a network of offices in 18 U.S. states and Washington, D.C., as well as offices in London, Guernsey, and Abu Dhabi.

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ASSET MANAGEMENT

Asset Management, through the Corporation's various subsidiaries, supports the C&IS and Wealth Management reporting segments by providing a broad range of asset management and related services and other products to clients around the world. Investment solutions are delivered through 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. Asset Management's capabilities include active, passive and engineered equity; active and passive fixed income; cash management; alternative asset classes (such as private equity and hedge funds of funds); and multi-manager advisory services and products. Asset Management's activities also include overlay services and other risk management services. Asset Management operates internationally through subsidiaries and distribution arrangements and its revenue and expense are fully allocated to C&IS and Wealth Management. As discussed above, Northern Trust managed $875.3 billion in assets as of December 31, 2015, including $648.0 billion for C&IS clients and $227.3 billion for Wealth Management clients.

Competition

Northern Trust faces intense competition in all aspects and areas of its business. 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. Our competitors include a broad range of financial institutions and service companies, including other custodial banks, deposit-taking institutions, asset management firms, benefits consultants, trust companies, investment banking firms, insurance companies, and investment counseling firms. As our businesses grow and markets evolve, we may encounter increasing and new forms of competition around the world.

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. Northern Trust seeks to develop and expand its recurring fee-based revenue by identifying select markets with attractive 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.

Economic Conditions And Government 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) implements monetary policy through its 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 directly affect 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.

Supervision And Regulation

Northern Trust is subject to extensive regulation under state and federal laws in the United States, as well as the applicable laws of each of the various jurisdictions outside the United States in which Northern Trust does business. The discussion below outlines significant elements of selected laws and regulations applicable to Northern Trust. Changes in these laws or regulations, or their application, cannot be predicted, but may have a material effect on Northern Trust's businesses and results of operations.

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 enforcement actions for violations of laws and regulations. Supervision and regulation of bank holding companies, financial holding companies, and their subsidiaries are intended primarily for the protection of depositors and other clients of banking subsidiaries, the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), and the banking system as a whole, not for the protection of stockholders or other nondepository 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 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 Bank, as the Corporation's sole insured depository institution subsidiary, 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, as a result of the amendment of the BHCA by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), as discussed further below, the Corporation must remain "well-capitalized" and "well-managed" in order to maintain 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. As an Illinois banking corporation, the Bank 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. The Bank is registered provisionally with the U.S. Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act as a swap dealer. As a provisionally registered swap dealer, the Bank is subject to significant regulatory obligations regarding swap activity and the supervision, examination and enforcement power of the CFTC and other regulators. Certain of the Corporation's other affiliates are registered with the CFTC as commodity trading advisors or commodity pool operators under the Commodity Exchange Act and are subject to that act and the associated rules and regulations of the CFTC.

The Corporation's nonbanking affiliates are all subject to examination by the Federal Reserve Board. Its broker-dealer subsidiary is registered with the U.S. 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. The Corporation's broker-dealer subsidiary also is registered with the SEC and Municipal Securities Rulemaking Board as a municipal securities dealer. 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 various states. The Bank and other subsidiaries of the Corporation act as investment advisers to several mutual funds and other asset managers which 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, derivatives and swaps activities by the CFTC, 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 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

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of 1940 requires the registration of any bank or separately identifiable division of the bank that acts as investment adviser for mutual funds.

Another component of the functional regulation relates to the application of federal commodity and derivatives laws and CFTC oversight of some bank commodity and derivatives activities, including swap-dealing activities.

THE DODD-FRANK ACT

The Dodd-Frank Act has had, and is expected to continue to have, a broad impact on the financial services industry, imposing significant new regulatory and compliance requirements, including 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 established 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, the Federal Reserve Board, 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 subsidiaries, including the Bank.

Enhanced Prudential Standards. The Dodd-Frank Act imposed enhanced prudential requirements on U.S. bank holding companies with at least $50 billion in total consolidated assets, including the Corporation. The enhanced prudential standards include more stringent risk-based capital, leverage, liquidity, risk management, and stress testing requirements and single counterparty credit limits for large bank holding companies, including the Corporation. The Federal Reserve Board also has the discretion to require these large U.S. bank holding companies to limit their short-term debt, to issue contingent capital instruments, and to provide enhanced public disclosures. The Federal Reserve Board has issued final rules implementing enhanced prudential standards for more stringent risk-based capital, leverage, liquidity, risk management, and stress testing requirements. Under the final rules, the Corporation must submit annual capital plans to the Federal Reserve Board, be subject to supervisor-conducted periodic stress tests to evaluate capital adequacy in adverse economic conditions, conduct capital stress tests, implement enhanced risk management procedures, comply with a liquidity risk management framework (discussed below in “Liquidity Standards”), conduct liquidity stress tests, and hold a buffer of liquid assets estimated to meet funding needs during a financial stress event. The Federal Reserve Board also has proposed rules that would implement aggregate credit exposure limits and early remediation requirements that are required to be established under sections 165 and 166 of the Dodd-Frank Act.

Resolution Planning. As required by Section 165(d) of the Dodd-Frank Act, the Federal Reserve Board and FDIC have jointly issued a final rule requiring each U.S. bank holding company with at least $50 billion in total consolidated assets, including the Corporation, to submit periodically to regulators a resolution plan for such bank holding company’s rapid and orderly resolution in the event of material financial distress or failure. In addition, the FDIC has issued a final rule requiring insured depository institutions with more than $50 billion in total assets, including the Bank, to submit to the FDIC periodic plans for resolution in the event of such institution’s failure. The Corporation and the Bank submitted resolution plans pursuant to these rules in December 2015. If the Federal Reserve Board and the FDIC jointly determine that the resolution plan submitted by the Corporation in December 2015 pursuant to Section 165(d) of the Dodd-Frank Act is not credible and the Corporation fails to address the deficiencies in a timely manner, the Corporation could be subject to more stringent capital, leverage or liquidity requirements, restrictions on growth, activities or operations, or be required to divest certain assets or operations. The Corporation and the Bank have and will continue to focus management attention and substantial resources to meet regulatory expectations with respect to resolution planning. A similar directive, the European Union Bank Recovery and Resolution Directive (BRRD), was adopted for European Union credit institutions, including certain of the Bank’s subsidiaries and branches, effective January 1, 2015. In accordance with applicable Prudential Regulation Authority (PRA) guidance, a recovery plan for Northern Trust Global Services Limited (NTGSL), a UK incorporated indirect subsidiary of the Bank, has been prepared and will be reviewed at least annually. Applicable PRA guidance requires institutions to produce resolution planning information in two phases. In accordance with such guidance, a phase 1 resolution plan for NTGSL and the Bank’s London branch has been prepared and such information will be submitted to the PRA every two years.

Orderly Liquidation Authority. Under the Dodd-Frank Act, certain financial companies, such as the Corporation and certain of its covered subsidiaries, can be subjected to a new orderly liquidation authority. For the orderly liquidation authority to apply, the U.S. Treasury Secretary, in consultation with the President of the United States, must make a determination, among other things, that the Corporation is in default or danger of default, the failure of the Corporation and its resolution under the U.S. Bankruptcy Code would have serious adverse effects on financial stability in the United States, no viable private sector alternative is available to prevent the default of the Corporation, and orderly liquidation authority proceedings would mitigate these adverse effects. This determination must be recommended by two-thirds of the FDIC Board of Directors and two-thirds of the Federal Reserve Board. Absent such actions, the Corporation, as a bank holding company, would remain subject to the U.S. Bankruptcy Code. The orderly liquidation authority became effective in July

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2010, and rulemaking is proceeding in stages. If the Corporation were subject to orderly liquidation authority, the FDIC would be appointed as its receiver, which would give the FDIC considerable powers to resolve the Corporation, including: (1) the power to remove officers and directors responsible for the Corporation's failure and to appoint new directors and officers; (2) the power to assign assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; (3) the ability to differentiate among creditors, including by treating junior creditors better than senior creditors, subject to a minimum recovery right to receive at least what such senior creditors would have received in bankruptcy liquidation; and (4) broad powers to administer the claims process to determine distributions from the assets of the receivership to creditors not transferred to a third party or bridge financial institution.

The Volcker Rule. The Volcker Rule bans proprietary trading subject to exceptions for market-making, hedging, certain trading activities in U.S. and foreign sovereign debt, certain trading activities of non-U.S. banking entities trading outside the United States, and trading activities related to liquidity management. The Volcker Rule also maintains significant restrictions on sponsoring or investing in certain "covered funds," such as hedge funds or private equity funds. A banking entity may "organize and offer" certain private funds only if certain requirements are satisfied. Moreover, a banking entity only may retain a limited ownership interest in such funds, and must monitor and track investments in such covered funds carefully to ensure that the ownership interest in the fund does not exceed regulatory thresholds. A banking entity that sponsors or invests in certain private funds is also restricted from providing credit or other support to the funds or permitting the funds to use the name of the bank. The Volcker Rule requires large banking entities, including the Corporation, to implement a detailed compliance program and, on an annual basis, requires the Chief Executive Officer of the banking entity to attest that the compliance program is reasonably designed to achieve compliance with the rule. Compliance with the Volcker Rule generally has been required since July 21, 2015, but the Federal Reserve Board has extended the conformance period for compliance with certain portions of the prohibition against sponsoring or investing in certain legacy covered funds until July 21, 2017. Northern Trust has conducted an enterprise-wide review of affected activities, taken steps to bring those activities into conformance, and has established an enterprise-wide compliance program to comply with the Volcker Rule. The full impact of the Volcker Rule on Northern Trust ultimately will depend on further interpretation and guidance by the regulatory agencies responsible for its enforcement. Northern Trust is monitoring developments with respect to the Volcker Rule actively and will revise further its operations and compliance programs as appropriate or required.

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 derivatives activities are required to be "pushed out" of insured depository institutions and conducted in separately capitalized nonbank affiliates. Title VII also will require certain persons to register as a "major swap participant," a "swap dealer," a "major-security-based swap participant" or a "security-based swap dealer." The CFTC and SEC have finalized joint rules further defining these entities, and the CFTC, SEC and other U.S. regulators are in the process of adopting regulations to implement Title VII. The CFTC also has finalized many rules applicable to swap dealers and other swap market participants including business conduct standards for swap dealers, reporting and recordkeeping, mandatory central clearing for certain swaps, exchange-trading rules applicable to swaps, and regulatory requirements for cross-border swap activities. The SEC has finalized rules that, among other things, enhance the oversight of clearing and trading entities; require regulatory reporting of security-based swap information and the public dissemination of security-based swap transaction, volume, and pricing information by registered swap data repositories; and define the scope of swap data repository registration requirements, the scope of security-based swap dealer and major-security-based swap participant registration requirements, and certain regulatory requirements for cross-border swap activities. It is anticipated that the SEC will continue with its rulemaking process, which will further clarify, among other things, recordkeeping obligations, central clearing requirements, and exchange-traded requirements for security-based swaps. Additionally, in the fall of 2015, the U.S. banking agencies separately finalized rules requiring the posting and collection of margin by swap entities, including the Corporation and the Bank, for certain uncleared swaps. As noted above, the CFTC and SEC have yet to complete the implementation of Title VII, and the complete regulatory framework for swaps and security-based swaps continues to develop.

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. No final rule has been issued to date.

HOLDING COMPANY SUPPORT UNDER THE FEDERAL DEPOSIT INSURANCE ACT

The Dodd-Frank Act amended the Federal Deposit Insurance Act (FDIA) to obligate the Federal Reserve Board to require bank holding companies, such as the Corporation, to serve as a source of financial strength for any subsidiary depository institution. 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

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requirement, the Corporation in the future could be required to provide financial assistance to the Bank should the Bank experience financial distress.

PAYMENT OF DIVIDENDS

The Corporation is a legal entity separate and distinct from its subsidiaries. The Corporation may pay dividends, repurchase stock, and make other capital distributions only in accordance with a capital plan that has been reviewed by the Federal Reserve Board and as to which the Federal Reserve Board has not objected. A significant 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 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.

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 defined and discussed further below) impose additional restrictions on the ability of banking institutions to pay dividends.

CAPITAL PLANNING AND STRESS TESTING

The Corporation's capital distributions are subject to Federal Reserve Board oversight. The major component of that oversight is the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) exercise, implementing its capital plan rules. These rules require bank holding companies having $50 billion or more in total consolidated assets (including the Corporation) to submit annual capital plans to their respective Federal Reserve Bank. The Corporation also is required to collect and report certain related data on a quarterly basis to allow the Federal Reserve Board to monitor progress against the annual capital plans. The CCAR exercise is an intensive assessment of the capital adequacy of bank holding companies as well as of the processes used by bank holding companies to assess their capital needs. Through CCAR, the Federal Reserve Board assesses whether bank holding companies have robust, forward-looking capital planning processes that account for their unique risks and that permit continued operations during times of economic and financial stress. The Corporation and other affected bank holding companies may pay dividends, repurchase stock, and make other capital distributions only in accordance with a capital plan that has been reviewed by the Federal Reserve Board and as to which the Federal Reserve Board has not objected. The Federal Reserve Board may object to a capital plan for a number of reasons, including if the capital plan does not show that the covered bank holding company will meet, for each quarter throughout the nine-quarter planning horizon covered by the capital plan, all minimum regulatory capital ratios under applicable capital rules as in effect for that quarter, as well as all minimum regulatory capital ratios on a pro forma basis under the base case and stressful scenarios (including a severely adverse scenario provided by the Federal Reserve Board). The capital plan rules also stipulate that a covered bank holding company may not make a capital distribution, unless after giving effect to the distribution, it will meet all minimum regulatory capital ratios. In evaluating a capital plan, the Federal Reserve considers both quantitative and qualitative factors. Consistent with prior Federal Reserve Board guidance, CCAR rules provide that capital plans contemplating dividend payout ratios exceeding 30% of projected after-tax net income will receive particularly close scrutiny. The Corporation's common stock dividend payout ratio was 35.3% in 2015.

The Corporation submitted its capital plan to the Federal Reserve Board in January 2015 as part of the Federal Reserve Board's 2015 CCAR exercise, and the Federal Reserve Board did not object to the Corporation's plan. Due to a change in the capital planning schedule, the Corporation will submit its 2016 capital plan to the Federal Reserve Board by April 5, 2016. The Federal Reserve Board has indicated that it expects to publish either its objection or non-objection to the 2016 capital plan and proposed capital actions, such as dividend payments and share repurchases, by June 30, 2016. The Corporation anticipates announcing its proposed 2016 capital plan distributions shortly thereafter.

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In addition to the CCAR stress testing requirements, Federal Reserve Board regulations also include the new Dodd-Frank Act stress tests (DFAST). The CCAR and DFAST requirements substantially overlap, and the Federal Reserve Board implements them at the bank holding company level on a coordinated basis. Under the DFAST regulations, the Corporation is required to undergo regulatory stress tests conducted by the Federal Reserve Board annually, and to conduct internal stress tests pursuant to regulatory requirements semi-annually. The Bank also is required to conduct its own annual internal stress test (although it is permitted to combine certain reporting and disclosure of its stress test results with the results of the Corporation). These requirements involve both company-run and supervisory-run testing of capital under various scenarios, including baseline, adverse and severely adverse scenarios provided by the appropriate banking regulator. Results from the Corporation's and the Bank's annual company-run stress tests are reported to the appropriate regulators and published. Northern Trust published the results of its company-run stress tests on March 5, 2015, and the results of its company-run mid-cycle stress tests on July 29, 2015.

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 risk-based capital guidelines that apply to the Corporation and the Bank are based upon the 2011 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 (Basel III). The Basel III rules are currently being phased in, and will come into full effect by January 1, 2022.

To implement Basel III for bank holding companies, including the Corporation, the Federal Reserve Board established risk-based and leverage capital guidelines. The federal banking regulators also established risk-based and leverage capital guidelines that FDIC-insured depository institutions, such as the Bank, are required to meet. These regulations are generally similar to those established by the Federal Reserve Board for bank holding companies. The Bank's risk-based and leverage capital ratios remained strong at December 31, 2015, and were well above the minimum regulatory requirements established by U.S. banking regulators.

Under the final Basel III rules, the Corporation is one of a small number of "core" banking organizations. The rules require core banking organizations to have rigorous processes for assessing overall capital adequacy in relation to their total risk profiles, and to disclose publicly certain information about their risk profiles and capital adequacy. In order to implement the capital rules, a core banking organization, such as the Corporation, is required to complete satisfactorily a parallel run, in which it calculates capital requirements under both the Basel III rules and previously effective regulations. The Corporation and the Bank completed their parallel runs in 2014 and are required to use the advanced approaches methodologies to calculate and disclose publicly their risk-based capital ratios.

Pursuant to the Federal Reserve Board's implementation in the final Basel III rules of a provision of the Dodd-Frank Act, the Corporation is subject to a capital floor that is based on the Basel III standardized approach. The Corporation is therefore required to calculate its risk-based capital ratios under both the standardized and advanced approaches, and is subject to the more stringent of the risk-based capital ratios as calculated under the standardized approach and the advanced approach in the assessment of its capital adequacy.

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.

TABLE 1: RISK-BASED AND LEVERAGE CAPITAL RATIOS AS OF DECEMBER 31, 2015

	COMMON EQUITY TIER 1 CAPITAL		TIER 1 CAPITAL		TOTAL CAPITAL	
	ADVANCED APPROACH	STANDARDIZED APPROACH	ADVANCED APPROACH	STANDARDIZED APPROACH	ADVANCED APPROACH	STANDARDIZE APPROACH
	11.9 %	10.8 %	12.5 %	11.4 %	14.2 %	13.2

Northern Trust Corporation						
The Northern Trust Company	11.6	% 10.4	% 11.6	% 10.4	% 13.1	% 12.0
Minimum required ratio	4.5	% 4.5	% 6.0	% 6.0	% 8.0	% 8.0
“Well-capitalized” minimum ratio	6.5	% 6.5	% 8.0	% 8.0	% 10.0	% 10.0

In addition to the above, beginning in 2018, advanced approaches institutions, such as the Corporation and the Bank, must comply with a supplementary leverage ratio. Under the supplementary leverage ratio rule, advanced approaches institutions

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will be subject to a minimum supplementary leverage ratio of 3.0%. Insured depository institutions that are advanced approaches institutions, such as the Bank, also will be required to maintain at least a 3.0% supplementary leverage ratio to be considered “well-capitalized” under the rule. The supplementary leverage ratio differs from the leverage ratio in that the leverage ratio does not take into account certain off-balance-sheet assets and exposures that are reflected in the supplementary leverage ratio.

Basel III also introduced a capital conservation buffer, requiring banking organizations to hold a buffer of common equity Tier 1 capital above the minimum risk-based capital requirements in an amount ranging from at least 0.625% in 2016 to at least 2.5% in 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking organizations with a common equity Tier 1 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.

Basel III also introduced a “countercyclical buffer” of 0% to 2.5% of a banking organization’s total risk-weighted assets for advanced approaches banking organizations, such as the Corporation, which is intended to create a capital buffer for such banking organizations during expansionary economic phases in order to protect against declines in asset prices if credit conditions weaken. In general, the amount of the countercyclical capital buffer is a weighted average of the countercyclical capital buffer established in the various jurisdictions in which the banking organization has credit exposures.

LIQUIDITY STANDARDS

In addition to capital adequacy standards, Basel III introduced two quantitative liquidity standards: a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). The LCR is intended to promote the short-term resilience of the liquidity risk profile of covered banking organizations, improve the banking industry’s ability to absorb shocks arising from financial and economic stress, and improve the measurement and management of liquidity risk. In September 2014, the U.S. banking agencies finalized rules to implement the LCR in the United States for large banking organizations, such as the Corporation and the Bank. Among other things, the finalized LCR rules require covered banking organizations, which include the Corporation and the Bank, to maintain an amount of high-quality liquid assets (HQLAs) equal to or greater than 100% of the banking organization’s total net cash outflows over a thirty-calendar-day standardized supervisory liquidity stress scenario. The LCR is being phased in, with full implementation beginning on January 1, 2017. Currently, Northern Trust is required to calculate its LCR on a monthly basis. Daily calculation of the LCR will be required beginning in July 2016. Additionally, on November 24, 2015, the Federal Reserve Board proposed rules that would require large banking organizations, such as the Corporation, to disclose publicly certain LCR information on a quarterly basis.

The NSFR requires banking organizations to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. More specifically, the NSFR requires that the ratio of available stable funding relative to the amount of required stable funding be equal to at least 100% on an ongoing basis. The Basel Committee finalized its NSFR rules in October 2014, to be implemented by the Federal Reserve Board as a minimum standard by January 1, 2018. The Federal Reserve Board has not yet issued a proposal to implement the NSFR.

The enhanced prudential standards (discussed above) specify certain liquidity risk management practices to be followed by covered large U.S. banks and bank holding companies, including the Corporation and the Bank. These practices include an independent review of liquidity risk management and the establishment of cash flow projections, a contingency funding plan, and liquidity risk limits. The Corporation’s Board of Directors (Board) also is required to establish and maintain a liquidity buffer of unencumbered HQLAs based on the results of internal liquidity stress testing. This liquidity buffer must be tailored to Northern Trust’s business risks and is in addition to other liquidity requirements, such as the LCR and NSFR discussed above. The enhanced prudential standards also establish requirements and responsibilities for the Board of Directors and its Business Risk Committee with respect to liquidity risk management. The enhanced prudential standards require Northern Trust to engage in liquidity stress testing under multiple stress scenarios and time horizons tailored to its specific products and risk profile. In January 2015, the Board of Directors approved a new Liquidity Management Policy establishing the principles and guidelines for the Corporation to govern the processes and activities for the management of its liquidity position. Among other matters, this Policy includes limits and thresholds related to the enhanced prudential standards liquidity buffer and the LCR.

PROMPT CORRECTIVE ACTION

The FDIC Improvement Act of 1991 requires the appropriate federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards. While these regulations apply only to banks, such as the Bank, the Federal Reserve Board is authorized to take appropriate action against a parent bank holding company, such as the Corporation, based on the under-capitalized status of any banking subsidiary. In certain instances, the Corporation would be required to guarantee the performance of the capital restoration plan for its under-capitalized banking subsidiary.

As noted above, in December 2011, the Federal Reserve Board issued proposed rules to implement requirements in Section 165 and 166 of the Dodd-Frank Act to establish stricter prudential standards for U.S. bank holding companies with total consolidated assets of $50 billion or more. The proposed rule incorporates the Section 166 "early remediation requirements." Similar to prompt corrective action, the early remediation requirements would require firms subject to the proposal to take increasingly stringent corrective measures as the firm's financial condition deteriorates. No final rule implementing Section 166 has been issued to date and the final rules implementing Section 165 indicate that the Federal Reserve Board is continuing to consider the comments it received to the proposal.

RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES AND INSIDERS

As an insured depository institution, the Bank is subject to restrictions which govern transactions between FDIC-insured banks and any affiliated entity, whether that entity is the Corporation, as 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 secured fully with qualifying collateral and are limited, as to any one of the Corporation or such nonbank affiliates, to 10% of the Bank's capital stock and surplus, and, as to the Corporation and all such nonbank affiliates in the aggregate, to 20% of the Bank's capital stock and surplus. These restrictions are also applied to transactions between the Bank and its 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 enhanced 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 had permitted the 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, including the Bank. These restrictions include, among others, 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

The Corporation and certain of its subsidiaries are subject to the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, which contains anti-money laundering (AML) and financial transparency provisions and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. AML laws outside the U.S. contain similar requirements. The Corporation and its subsidiaries have implemented policies, procedures and internal controls that are designed to comply with all applicable AML laws and regulations. Compliance with applicable AML and related requirements is a common area of review for financial regulators, and the Corporation's and its subsidiaries' level of compliance with these requirements could result in fines, penalties, lawsuits, regulatory sanctions or difficulties in obtaining approvals, restrictions on their business activities or harm to their reputation.

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.

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DEPOSIT INSURANCE AND ASSESSMENTS

The Bank accepts deposits, and those deposits have the benefit of FDIC insurance up to the applicable limit. The current limit for FDIC insurance for deposit accounts is $250,000 for each depositor account. Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the insured depository institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. The FDIC's Deposit Insurance Fund is funded by assessments on insured depository institutions. Certain liquid assets are excluded from the deposit insurance assessment base of custody banks that satisfy certain institutional eligibility criteria. This has the effect of reducing the amount of deposit insurance fund insurance premiums due from custody banks. In October 2015, the FDIC proposed a surcharge assessment on insured depository institutions with total consolidated assets of $10 billion or more, such as the Bank, in connection with the Dodd-Frank Act requirement to increase the Deposit Insurance Fund's minimum reserve ratio from 1.15% to 1.35% without increasing the assessments of small insured depository institutions.

MONEY MARKET MUTUAL FUNDS

On July 23, 2014, the SEC approved final rules implementing money market mutual fund reform, which, among other things, require institutional prime money market funds to maintain a floating net asset value and implement procedures that may restrict redemption in certain circumstances through the imposition of liquidity fees and gates against investor redemptions. The implementation of these rules will occur in phases through October 2016. Money market mutual fund reforms also have been proposed by the European Union (EU). A legislative proposal for a regulation on money market mutual funds was published by the EU on April 9, 2013, although the legislative process with respect to the proposed regulation is continuing and the timing of its completion remains unclear. On November 25, 2015, the EU adopted a regulation on securities financing transactions and reuse of collateral as part of its approach to addressing shadow banking. The regulation includes provisions for enhanced transparency and reporting of securities financing transactions, and began to be phased in beginning January 12, 2016. Further regulation containing the technical detail of the regulation has yet to be published, which will delay the effective date of certain provisions.

COMMUNITY REINVESTMENT ACT

The Bank is subject to the Community Reinvestment Act (CRA). The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their service areas, including low and moderate income neighborhoods, consistent with the safe and sound operations of the banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications, and applications to acquire the assets and assume the liabilities of another bank. In October 2012, the Federal Reserve Board, the federal regulator responsible for monitoring the Bank's CRA compliance, approved the designation of the Bank as a "wholesale bank." As a result of this designation, the Bank fulfills its CRA obligations by making qualified investments for the purposes of community development, rather than retail CRA loans. Federal banking agencies are required to make public the rating of a bank's performance under the CRA. The Bank received an "outstanding" CRA rating from the Federal Reserve Board in its most recent CRA examination.

PRIVACY AND SECURITY

Federal law establishes a minimum federal standard of financial privacy by, among other provisions, requiring financial institutions to adopt and disclose privacy policies with respect to consumer information and setting forth certain limitations on 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 client information, and require notice to regulators, and in some cases, to clients, in the event of security breaches. A number of states and the EU have adopted their own statutes concerning financial privacy and security and requiring notification of security breaches.

CONSUMER LAWS AND REGULATIONS

The Corporation's banking subsidiaries are subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with clients and monitor account activity when taking deposits, making loans to or engaging in other types of transactions with such clients. Failure to comply with these laws and regulations could lead to substantial penalties, operating restrictions and reputational damage to the financial institution. The Dodd-Frank Act established an independent Consumer Financial Protection Bureau (CFPB) within the Federal Reserve System. The CFPB was 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 creation of the CFPB by the Dodd-Frank Act is likely to lead to enhanced and strengthened enforcement of consumer financial protection laws.

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NON-U.S. REGULATION

Northern Trust's non-U.S. branches and subsidiaries are subject to the laws and regulatory authorities of the jurisdictions in which they operate. For example, branches and subsidiaries conducting banking, fund administration and asset servicing businesses in the United Kingdom are authorized to do so pursuant to the UK Financial Services and Markets Act 2000. They are authorized by the PRA or the Financial Conduct Authority (FCA) and regulated by the FCA and, in some instances, also the PRA. The PRA and FCA exercise broad supervisory and disciplinary powers that include the power to revoke temporarily or permanently authorization to conduct a regulated business upon breach of the relevant regulations, suspend registered employees, and impose censures and fines on both regulated businesses and their regulated employees.

Northern Trust's European branches and subsidiaries are subject to the laws and regulatory authorities of the European Economic Area (EEA). Moreover, Northern Trust's non-European branches and subsidiaries conducting financial services activities also may be within the scope of these laws, given the increasing extraterritorial effect of European legislation.

On July 23, 2014, the EU published a directive, referred to as UCITS V, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities. UCITS V will go into effect on March 18, 2016, subject to certain grandfathering provisions. Although secondary legislation setting out technical details and regulatory guidance with respect to UCITS V have yet to be adopted, UCITS V will introduce rules for a depositary, rules on remuneration policies for certain staff and a sanctions regime for noncompliance.

A number of other regulations that may affect Northern Trust's operations have been or currently are being implemented in Europe, including the Alternative Investment Fund Managers Directive (AIFMD), the European Market Infrastructure Regulation (EMIR), the Capital Requirements Directive IV (CRD IV), the FCA's Client Assets Sourcebook rules (CASS), revisions to the Markets in Financial Instruments Directive (MiFID II) and the BRRD. The EU and some member states also are considering bank structural reform. On January 29, 2014, the EU published a proposal that would prohibit proprietary trading by in-scope banking groups and potentially require that trading activities only be carried out by a trading entity legally, economically and operationally separate from the deposit-taking entities within the banking group. The legislative process is continuing and the timing and content of the final legislative act remains unclear. Northern Trust works diligently to comply with applicable EU rules and regulations, and also monitors the development of EU proposals that might create challenges or opportunities for it.

Additionally, the Bank's and the Corporation's subsidiary banks located outside the United States are subject to regulatory capital requirements in the jurisdictions in which they operate. As of December 31, 2015, each of our non-U.S. banking subsidiaries had capital ratios above their specified minimum requirements.

Staff

Northern Trust employed approximately 16,200 full-time equivalent staff members as of December 31, 2015.

Available Information

Through the Corporation's website at www.northerntrust.com, it makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all other reports and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), as soon as reasonably practicable after it files such material with, or furnishes such material to, the SEC. The contents of the Corporation's website, the website of the SEC or any other website referenced herein are not a part of this Annual Report on Form 10-K.

Statistical Disclosure by Bank Holding Companies

The following statistical disclosures, included in the "Supplemental Item – Selected Statistical and Supplemental Financial Data" section of this Annual Report on Form 10-K, are incorporated herein by reference.

- Average Consolidated Balance Sheets with Analysis of Net Interest Income for the years ended December 31, 2015, 2014 and 2013.

- Changes in Net Interest Income for the years ended December 31, 2015 and 2014.
- Remaining Maturity and Average Yield of Securities Held to Maturity and Available for Sale as of December 31, 2015.
- Remaining Maturity of Selected Loans and Leases as of December 31, 2015.
- Distribution of Non-U.S. Loans by Type as of December 31, 2015, 2014, 2013, 2012 and 2011.
- Allowance for Credit Losses Related to Non-U.S. Operations for the years ended December 31, 2015, 2014, 2013, 2012 and 2011.
- Analysis of Allowance for Credit Losses for the years ended December 31, 2015, 2014, 2013, 2012 and 2011.
- Average Deposits by Type as of December 31, 2015, 2014 and 2013.
- Distribution of Non-U.S. Deposits by Type as of December 31, 2015, 2014 and 2013.
- Remaining Maturity of Time Deposits $100,000 or More as of December 31, 2015.

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- Average Rates Paid on Interest-Related Deposits by Type for the years ended December 31, 2015, 2014 and 2013.
- Selected Average Assets and Liabilities Attributable to Non-U.S. Operations for the years ended December 31, 2015, 2014 and 2013.
- Percent of Non-U.S.-Related Average Assets and Liabilities to Total Consolidated Average Assets for the three years ended December 31, 2015, 2014 and 2013.
- Non-U.S. Outstandings as of December 31, 2015, 2014 and 2013.
- Purchased Funds as of December 31, 2015, 2014 and 2013.

The following statistical disclosures, included under Items 6, 7 and 8 of this Annual Report on Form 10-K, are incorporated herein by reference.

- Item 6, "Selected Financial Data," includes the Corporation's consolidated return on average common equity, return on average assets, dividend payout ratio and ratio of average equity to average assets.
- The "Securities Held to Maturity and Available for Sale" table (Item 7) provides the book values of investments in obligations of the U.S. government, states and political subdivisions, and other held to maturity and available for sale securities as of December 31, 2015, 2014 and 2013.
- The "Composition of Loan Portfolio" table (Item 7) provides loans and leases by type at the end of the year.
- The "Nonperforming Assets" table (Item 7) provides information about the Corporation's nonaccrual, past due and restructured loans receivable.
- The "Commercial Real Estate Loans" table (Item 7) provides details of loan concentrations.
- The "Allocation of the Allowance for Credit Losses" table (Item 7) provides a breakdown of the allowance for credit losses by loan class and illustrates the proportion of each loan class to total loans.
- The "Allowance for Credit Losses" section (Item 7) provides a discussion of the factors which influenced management's judgment in determining the provision for credit losses.
- Note 6, "Loans and Leases," (Item 8) provides the Corporation's forgone interest income on nonaccrual loans, as well as a description of the nature of non-U.S. loans.
- Note 1, "Summary of Significant Accounting Policies," (Item 8) provides a discussion of Northern Trust's policy for placing loans on non-accrual status.
- Further discussion of Northern Trust's management of credit risk with respect to the provision and allowance for credit losses are provided in the following information that is incorporated herein by reference to the notes to the consolidated financial statements provided in Item 8, "Financial Statements and Supplementary Data."

- Note 1, "Summary of Significant Accounting Policies":
- H. Loans and Leases.
- I. Allowance for Credit Losses.
- L. Other Real Estate Owned.
- Note 6, "Loans and Leases."
- Note 7, "Allowance for Credit Losses."
- Note 8, "Concentrations of Credit Risk."
- Note 27, "Off-Balance Sheet Financial Instruments."

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ITEM 1A – RISK FACTORS

In the normal course of our business activities, we are exposed to a variety of risks. The following discussion sets forth the risk factors that we have identified as being most significant to Northern Trust. Although we discuss these risk factors primarily in the context of their potential effects on our business, financial condition or results of operations, you should understand that these effects can have further negative implications such as: reducing the price of our common stock and other securities; 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, which may affect adversely our ability to raise capital and secure other funding or the prices at which we are able to do so. Further, additional risks beyond those discussed below, elsewhere in this Annual Report on Form 10-K or in other of our reports filed with, or furnished to, the SEC also could affect us adversely. We cannot assure you that the risk factors herein or elsewhere in our other reports address all potential risks that we may face.

These risk factors also serve to describe factors which may cause our results to differ materially from those described in forward-looking statements included herein or in other documents or statements that make reference to this Annual Report on Form 10-K. Forward-looking statements and other factors that may affect future results are discussed under “Forward-Looking Statements” included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of this Annual Report on Form 10-K.

Market Risks

Market volatility and/or a downturn in economic conditions may affect our earnings negatively.

Our principal operational focus is on fee-based business, which is distinct from commercial banking institutions that earn most of their revenues from loans and other traditional interest-generating products and services. Fees for many of our products and services are based on the market value of assets under management, custody or administration; the volume of transactions processed; securities lending volume and spreads; and fees for other services rendered, all of which may be impacted negatively by market volatility and/or a downturn in economic conditions. For example, downturns in equity markets and decreases in the value of debt-related investments resulting from market disruption, illiquidity or other factors have historically reduced the valuations of the assets we manage or service for others, which generally impacted our earnings negatively. Market volatility and/or weak economic conditions also may affect wealth creation, investment preferences, trading activities, and savings patterns, which impact demand for certain products and services that we provide. Such conditions also may 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 would reduce our earnings.

Changes in interest rates can affect our earnings negatively.

The direction and level of interest rates are important factors in our earnings. Although the Federal Reserve Board recently raised the target Federal Funds rate range, interest rates generally remain near historical lows. The low interest rate environment that has persisted since the 2007-2008 global financial crisis, and that may persist in 2016 and beyond, has had, and may continue to have, a negative impact on 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 continued low interest rate environment also may have a negative impact on our fees earned on certain of our products. For example, since 2009, we have waived certain fees associated with money market mutual funds due to the low level of short-term interest rates. Low net interest margins and fee waivers each negatively impact our earnings.

A rise in interest rates also may affect us negatively if, for example, such a rise causes: our clients to transfer funds into investments with higher rates of return, resulting in decreased deposit levels and higher fund or account redemptions; our borrowers to experience difficulties in making higher interest payments, resulting in increased credit costs, provisions for loan and lease losses and charge-offs; reduced bond and fixed income fund liquidity, resulting in lower performance, yield and fees; a decline in the value of securities held in our portfolio of investment securities, resulting in decreased levels of capital and liquidity; or higher funding costs.

Further, although we have policies and procedures in place to assess and mitigate potential impacts of interest rate risks, if our assumptions about any number of variables are incorrect, these policies and procedures to mitigate risk may be ineffective, which could impact earnings negatively.

Please see “Market Risk” in the “Risk Management” section included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of this Annual Report on Form 10-K, for a more detailed discussion of interest rate and market risks we face.

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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 may reduce our earnings and affect our growth prospects negatively.
The monetary and other policies of U.S. and international governments, agencies and regulatory bodies have a significant impact on interest rates and overall financial market performance. For example, the Federal Reserve Board 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, which are important factors in our earnings. The actions of the Federal Reserve Board or other regulatory authorities also may reduce the value of financial instruments we hold. Further, their policies can affect our borrowers by increasing interest rates or making sources of funding less available, which may increase the risk that borrowers fail to repay their loans from us. Changes in monetary and other governmental policies are beyond our control and can be difficult to predict, and we cannot determine the ultimate effect that any such changes would have upon our business, financial condition or results of operations.

Uncertainty about the financial stability of various regions or countries across the globe, including the risk of defaults on sovereign debt and related stresses on financial markets, could have a significant adverse effect on our earnings.
Risks and concerns about the financial stability of various regions or countries across the globe could have a detrimental impact on economic and market conditions in these or other markets across the world. Foreign 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. Economic challenges faced in various foreign markets, including negative interest rates in some jurisdictions or continuing declines in oil prices, and any disruptions related to such challenges, may impact our earnings negatively.

Declines in the value of securities held in our investment portfolio can affect us negatively.
Our investment securities portfolio represents a greater proportion, and our loan and lease portfolios represent a smaller proportion, of our total consolidated assets in comparison to many other financial institutions. The value of securities available for sale and held to maturity within our investment portfolio, which is generally determined based upon market values available from third-party sources, may fluctuate as a result of market volatility and economic or financial market conditions. For example, the global financial crisis of 2007–08 and resultant period of economic turmoil and financial market disruption affected negatively the liquidity and pricing of securities, generally, and asset-backed and auction rate securities, in particular. Declines in the value of securities held in our investment portfolio negatively impact our levels of capital and liquidity. Further, to the extent that we experience unrealized losses in our portfolio of investment securities 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. Although we have policies and procedures in place to assess and mitigate potential impacts of market risks, including hedging-related strategies, those policies and procedures are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Accordingly, we could suffer adverse effects as a result of our failure to anticipate and manage these risks properly.

Volatility levels and fluctuations in foreign currency exchange rates may affect our earnings.
We provide foreign exchange services to our clients, primarily in connection with our global custody business. Foreign currency volatility influences our foreign exchange trading income as does the level of client activity. Foreign currency volatility and changes in client activity may result in reduced foreign exchange trading income. Fluctuations in exchange rates may 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. We also are exposed to non-trading foreign currency risk as a result of our holdings of non-U.S. dollar denominated assets and liabilities, investments in non-U.S. subsidiaries, and future non-U.S. dollar denominated revenue and expense.
We have policies and procedures in place to assess and mitigate potential impacts of foreign exchange risks, including hedging-related strategies. Any failure or circumvention of our procedures to mitigate risk may impact earnings

negatively. Please see “Market Risk” in the “Risk Management” section included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of this Annual Report on Form 10-K, for a more detailed discussion of market risks we face.

Changes in a number of particular market conditions can affect our earnings negatively.
In past periods, reductions in the volatility of currency-trading markets, the level of cross-border investing activity, and the demand for borrowing securities or willingness to lend such securities have affected our earnings from activities such as foreign exchange trading and securities lending negatively. If these conditions occur in the future, our earnings from these activities may be affected negatively. In a few of our businesses, such as securities lending, our fee is calculated as a

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percentage of our client's earnings, such that market and other factors that reduce our clients' earnings from investments or trading activities also reduce our revenues. For example, the global financial crisis of 2007-08 and resultant period of economic turmoil and financial market disruption produced losses in some securities lending programs, reduced borrower demand and led some clients to withdraw from these programs. A return of these conditions in the future could result in additional withdrawals and decreased activity, which could impact our earnings negatively.

Operational Risks

Many types of operational risks can affect our earnings negatively.

We regularly assess and monitor operational risk in our businesses. Despite our efforts to assess and monitor operational risk, our risk management program may not be effective in all cases. Factors that can impact operations and expose us to risks varying in size, scale and scope include:

- failures of technological systems or breaches of security measures, including, but not limited to, those resulting from cyber-attacks;
- 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;
- breakdowns in processes, over-reliance on manual processes, which are inherently more prone to error than automated processes, breakdowns in internal controls or failures of the systems and facilities that support our operations;
- unsuccessful or difficult implementation of computer systems upgrades;
- 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 third-party vendors;
- negative developments in relationships with key counterparties, third-party 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 acts of terrorism.

While we have in place many controls and business continuity plans designed to address many of these factors, these plans may not operate successfully to mitigate effectively these risks or we may fail to identify or fully understand the implications and risks associated with changes in the financial markets or our businesses—particularly as we expand our geographic footprint, product pipeline and client types—and consequently fail to enhance our controls and business continuity plans to address those changes in an adequate or timely fashion. If our controls and business continuity plans do not address the factors noted above and operate to mitigate the associated risks successfully, such factors may have a negative impact on our business, financial condition or results of operations. In addition, an important aspect of managing our operational risk is creating a risk culture in which all employees fully understand that there is risk in every aspect of our business and the importance of managing risk as it relates to their job functions. We continue to enhance our risk management program to support our risk culture, ensuring that it is sustainable and appropriate to our role as a major financial institution. Nonetheless, if we fail to create the appropriate environment that sensitizes all of our employees to managing risk, our business could be impacted adversely.

Failures of our technological systems or breaches of our security measures, including, but not limited to, those resulting from cyber-attacks, may result in losses.

Any failure, interruption or breach in the security of our systems could severely disrupt our operations. Our systems involve the use of clients' and our proprietary information, and security breaches – including cyber-attacks – could expose us to a risk of loss of this information. 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 or our clients' proprietary information. Information security risks for large financial institutions like us are significant in part because of the proliferation of new technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. Our computer, communications, data processing, networks, backup, business continuity or other operating, information or technology systems, including those that we outsource to other providers, may fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could have a negative effect on our ability to conduct our business activities.

The third parties with which we do business also are susceptible to the foregoing risks (including regarding the third parties with which they are similarly interconnected or on which they otherwise rely), and our or their business operations and activities may therefore be affected adversely, perhaps materially, by failures, terminations, errors or malfeasance by,

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or attacks or constraints on, one or more financial, technology, infrastructure or government institutions or intermediaries with whom we or they are interconnected or conduct business. In addition, our clients often use their own devices, such as computers, smart phones and tablets, to manage their accounts, which may heighten the risk of system failures, interruptions or security breaches.
In recent years, several financial services firms suffered successful cyber-attacks launched both domestically and from abroad, resulting in the disruption of services to clients, loss or misappropriation of sensitive or private data, and reputational harm. Although we have not suffered a material breach of our systems, we and our clients have been subject to cyber-attacks, and it is possible that we could suffer a material breach in the future. 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. We expect to continue to face increasing cyber-threats, including computer viruses, malicious code, distributed denial of service attacks, phishing attacks, information security breaches or employee or contractor error or malfeasance that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our, our clients' or other parties' confidential, personal, proprietary or other information or otherwise disrupt, compromise or damage our or our clients' or other parties' business assets, operations and activities. Our status as a global financial institution and the nature of our client base may enhance the risk that we are targeted by such cyber-threats. If a breach of our security occurs, we could be the subject of legal claims or proceedings, including regulatory investigations and actions, the market perception of the effectiveness of our security measures could be harmed, our reputation could suffer and we could lose clients, each of which could have a negative effect on our business, financial condition and results of operations. Further, even if not directed at us, attacks on financial or other institutions important to the overall functioning of the financial system could affect, directly or indirectly, aspects of our business.

The systems and models we employ to analyze, monitor and mitigate risks, as well as for other business purposes, are inherently limited, may be not be effective in all cases and, in any case, cannot eliminate all risks that we face.
We use various systems and models in analyzing and monitoring several risk categories, as well as for other business purposes. However, these systems and models are inherently limited because they involve techniques and judgments that cannot anticipate every economic and financial outcome in the markets in which we operate, nor can they anticipate the specifics and timing of such outcomes. Further, these systems and models may fail to quantify accurately the magnitude of the risks we face. Our measurement methodologies rely on many assumptions and historical analyses and correlations. These assumptions may be incorrect, and the historical correlations on which we rely may not continue to be relevant. Consequently, the measurements that we make may not adequately capture or express the true risk profiles of our businesses or provide accurate data for other business purposes, each of which ultimately could have a negative impact on our business, financial condition and results of operations. Errors in the underlying model or model assumptions, or inadequate model assumptions, could result in unanticipated and adverse consequences, including material loss or noncompliance with regulatory requirements or expectations.

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 have a negative effect on our earnings in other ways.
In our asset servicing, investment management, fiduciary administration and other business activities, we effect or process transactions for clients and for ourselves that involve very large amounts of money. Failure to manage or mitigate operational risks properly can have adverse consequences, and increased volatility in the financial markets may increase the magnitude of resulting losses. Given the high volume of transactions we process, errors that affect earnings may be repeated or compounded before they are discovered and corrected.

Our dependence on technology exposes us to risks that also can result in losses.
Our businesses depend on information technology infrastructure, both internal and external, to record and process, among other things, a large volume of increasingly complex transactions and other data, in many currencies, on a daily basis, across numerous and diverse markets and jurisdictions. Due to our dependence on technology and the

important role it plays in our business operations, we must constantly improve and update our information technology infrastructure. Updating these systems can require significant resources and often involves implementation, integration and security risks that could cause financial, reputational and operational harm. Failure to ensure adequate review and consideration of critical business and regulatory issues prior to and during the introduction and deployment of key technological systems or failure to align operational capabilities adequately with evolving client commitments and expectations may have a negative impact on our results of operations. The failure to respond properly to and invest in changes and advancements in technology could limit our ability to attract and retain clients, prevent us from offering products and services comparable to those offered by our competitors, inhibit our ability to meet regulatory requirements or otherwise have a material adverse effect on our operations.

A failure or circumvention of our controls and procedures could have a material adverse effect on our business, financial condition and results of operations.
We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system will be met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, financial condition and results of operations. If we identify material weaknesses in our internal control over financial reporting or are otherwise required to restate our financial statements, we could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of our financial reports. In addition, there are risks that individuals, either employees or contractors, consciously circumvent established control mechanisms by, for example, exceeding trading or investment management limitations, or committing fraud.

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, and network access. Our use of third-party vendors exposes us to the risk that such vendors may not comply with their servicing and other contractual obligations to us, including with respect to indemnification and information security, and to the risk that we may not satisfy applicable regulatory responsibilities regarding the management and oversight of third parties and outsourcing providers. 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 have a negative effect on our ability to deliver products and services to our clients and conduct our business. Replacing these third-party vendors or performing the tasks they perform for ourselves could create significant delay and expense.

We are subject to certain risks inherent in operating globally which may affect our business adversely.
In conducting our business, we are subject to risks of loss from various unfavorable political, economic, legal or other developments, including social or political instability, changes in governmental policies or policies of central banks, expropriation, nationalization, confiscation of assets, price controls, capital controls, exchange controls, unfavorable tax rates and tax court rulings and changes in laws and regulations. Less mature and often less regulated business and investment environments heighten these risks in various emerging markets, in which we have been expanding our business activities. Our non-U.S. operations accounted for 29% of our revenue in 2015. Our non-U.S. businesses are subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies in the jurisdictions in which those businesses operate. In many countries, the laws and regulations applicable to the financial services industry are uncertain and evolving and may be applied with extra scrutiny to foreign companies. Further, it may be difficult for us to determine the exact requirements of local laws in every market or manage our relationships with multiple regulators in various jurisdictions. Our inability to remain in compliance with local laws in a particular market and manage our relationships with regulators could have an adverse effect not only on our businesses in that market but also on our reputation generally. The failure to mitigate properly such risks or the failure of our operating infrastructure to support such international activities could result in operational failures and regulatory fines or sanctions, which could affect our business and results of operations adversely.
We actively strive to optimize our geographic footprint. This optimization may occur by establishing operations in lower-cost locations or by outsourcing to third-party vendors in various jurisdictions. These efforts expose us to the risk that we may not maintain service quality, control or effective management within these operations. In addition, we are exposed to the relevant macroeconomic, political and similar risks generally involved in doing business in those jurisdictions. The increased elements of risk that arise from conducting certain operating processes in some

jurisdictions could lead to an increase in reputational risk. During periods of transition, greater operational risk and client concern exist with respect to maintaining a high level of service delivery.

In addition, we are subject in our global operations to rules and regulations relating to corrupt and illegal payments and money laundering, laws relating to doing business with certain individuals, groups and countries, such as the U.S. Foreign Corrupt Practices Act, the USA PATRIOT Act, and the UK Bribery Act, and economic sanctions and embargo programs administered by the U.S. Office of Foreign Assets Control and similar agencies worldwide. While we have invested and continue to invest significant resources in training and in compliance monitoring, the geographical diversity of our operations, employees, clients and customers, as well as the vendors and other third parties with whom we deal, presents

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the risk that we may be found in violation of such rules, regulations, laws or programs and any such violation could subject us to significant penalties or affect our reputation adversely.

Failure to control our costs and expenses adequately could affect our earnings negatively.
Our success in controlling the costs and expenses of our business operations also impacts operating results. Through various parts of our business strategy, we aim 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. Failure to control these and other costs could affect our earnings negatively and reduce our competitive position.

Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on our business and operations.
Acts of terrorism, natural disasters, pandemics, global conflicts or other similar catastrophic events could have a negative impact on our business and operations. While we have in place business continuity plans, such events could still damage our facilities, disrupt or delay the normal operations of our business (including communications and technology), result in harm to or cause travel limitations on our employees, and have a similar impact on our clients, suppliers, third-party vendors and counterparties. These events also could impact the purchase of our products and services negatively to the extent that those acts or conflicts result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity in the United States or abroad, or in financial market settlement functions. In addition, war, terror attacks, political unrest, global conflicts, the national and global efforts to combat terrorism and other potential military activities and outbreaks of hostilities may impact economic growth negatively, which could have an adverse effect on our business and operations, and may have other adverse effects on us in ways that we are unable to predict.

Credit Risks
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 extensions of credit before we make them and then provide for credit risks based on our assessment of the credit losses inherent in our loan portfolio, including undrawn 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 assessments and accurately estimating the impacts of those factors. Allowances that prove to be inadequate may require us to realize increased provisions for credit losses or write down the value of certain assets on our balance sheet, which in turn would affect earnings negatively.

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 also can be affected by weakness in 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. Adverse changes in the financial performance or condition of our borrowers resulting from weakened economic conditions could impact the borrowers’ abilities to repay outstanding loans, which could in turn impact our financial condition and results of earnings negatively.

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 counterparty exposure to other financial institutions. This counterparty exposure presents risks to us and to our clients because the failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss. Instability in the financial markets has resulted historically in some financial institutions

becoming less creditworthy. During such periods of instability, 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, are often based upon a variety of factors and can be difficult to predict. In addition, the criteria for and manner of governmental support of financial institutions and other economically important sectors remain uncertain. In recent years the consolidation of financial service firms and the failures of other financial institutions have increased the concentration of our counterparty risk. We are not able to mitigate all of our and our clients' counterparty credit risk. If a significant individual counterparty defaults on an obligation to us, we could incur financial losses that have a material and adverse effect on our business, our financial condition and our results of operations.

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Liquidity Risks

If we do not effectively manage our liquidity, our business could suffer.

Liquidity is essential for the operation of our business. Market conditions, unforeseen outflows of funds or other events could have a negative effect on our level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost and in a timely manner. If our access to stable and low-cost sources of funding, such as customer deposits, are reduced, we may need to use alternative funding, which could be more expensive or of limited availability. Recent regulatory changes relating to liquidity and risk management also may impact us negatively. Various regulations recently adopted or proposed, and additional regulations under consideration, impose or could impose more stringent liquidity requirements for large financial institutions, including the Corporation and the Bank. Given the overlap and complex interactions of these regulations with other regulatory changes, the full impact of the adopted and proposed regulations remains uncertain until their full implementation. For more information on these regulations and other regulatory changes, see "Supervision and Regulation—Liquidity Standards" in Item 1, "Business." Any substantial, unexpected or prolonged changes in the level or cost of liquidity could affect our business adversely.

If the Bank is 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 the Corporation's other subsidiaries. The Corporation relies on dividends paid to it by the Bank 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 Corporation's other subsidiaries can supply funds to the Corporation by dividend or otherwise. Dividend payments by the Bank to the Corporation in the future will require continued generation of earnings by the Bank and could require regulatory approval under certain circumstances. For more information on dividend restrictions, see "Supervision and Regulation—Payment of Dividends" in Item 1, "Business."

We may need to raise additional capital in the future, which may not be available to us or may only be available on unfavorable terms.

We may need to raise additional capital to provide sufficient resources to meet our business needs and commitments, to accommodate the transaction and cash management needs of our clients, to maintain our credit ratings in response to regulatory changes, including capital rules, or for other purposes. However, our ability to access the capital markets, if needed, will depend on a number of factors, including the state of the financial markets. Rising interest rates, disruptions in financial markets, negative perceptions of our business or our financial strength, or other factors may impact our ability to raise additional capital, if needed, on terms acceptable to us. Any diminished ability to raise additional capital, if needed, could subject us to liability, restrict our ability to grow, require us to take actions that would affect our earnings negatively or otherwise affect our business and our ability to implement our business plan, capital plan and strategic goals adversely.

Any downgrades in our credit ratings, or an actual or perceived reduction in our financial strength, could affect our borrowing costs, capital costs and liquidity adversely.

Rating agencies publish credit ratings and outlooks on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities. Our credit ratings are subject to ongoing review by the rating 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 rating-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.

Downgrades in our credit ratings may affect our borrowing costs, our capital costs and our ability to raise capital and, in turn, our liquidity adversely. A failure to maintain an acceptable credit rating also may preclude us from being competitive in certain products. Additionally, our counterparties, as well as our clients, rely on our financial strength

and stability and evaluate the risks of doing business with us. If we experience diminished financial strength or stability, actual or perceived, a decline in our stock price or a reduced credit rating, our counterparties may be less willing to enter into transactions, secured or unsecured, with us, our clients may reduce or place limits on the level of services we provide them or seek other service providers, or our prospective clients may select other service providers, all of which may have other adverse effects on our business.
The risk that we may be perceived as less creditworthy relative to other market participants is higher in a market environment in which the consolidation, and in some instances failure, of financial institutions, including major global financial institutions, could result in a smaller number of larger counterparties and competitors. If our counterparties perceive us to be a less viable counterparty, our ability to enter into financial transactions on terms acceptable to us or our

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clients, on our or our clients' behalf, will be compromised materially. If our clients reduce their deposits with us or select other service providers for all or a portion of the services we provide to them, our revenues will decrease accordingly.

Our success with large, complex clients requires substantial liquidity.
A significant portion of our business involves providing certain services to large, complex clients, which, by their nature, require substantial liquidity. Our failure to manage successfully the liquidity and balance sheet issues attendant to this portion of our business may have a negative impact on our ability to meet client needs and grow.

Regulatory and Legal Risks
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.
Virtually every aspect of our 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 regulated heavily 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 directed specifically at protecting depositors, the federal deposit insurance fund and the banking system as a whole, not our stockholders or other security holders. The Corporation and its subsidiaries also are regulated heavily by bank, securities and other regulators globally. Regulatory violations or the 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 impact our reputation adversely. Failure to obtain necessary approvals from regulatory agencies on a timely basis could affect proposed business opportunities and results of operations adversely. Similarly, failure to comply with new requirements or with future changes in laws or regulations may impact our results of operations and financial condition negatively.

The ongoing implementation of the Dodd-Frank Act may have a material effect on our operations.
The Dodd-Frank Act, which became law in July 2010, has had, and will continue to have, a significant impact on the regulatory and compliance structure in which we operate. There remains uncertainty surrounding the manner in which certain of the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies as these provisions still require final rules to be promulgated. Further changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, or otherwise affect our business adversely. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements.

Changes in regulatory capital requirements could result in reduced earnings.
The Dodd-Frank Act and the implementation of Basel III have led 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. Increased capital requirements ultimately could impact the profitability of certain of our business activities, require changes to certain business practices or otherwise affect our business and earnings adversely. See "Supervision and Regulation" under Item 1, "Business," for a further discussion of the various capital and liquidity requirements to which we are, and in the future may be, subject.

The implementation of money market mutual fund reform could lower the desirability of money market mutual funds for investors and reduce the profitability of money market mutual funds for sponsors.
On July 23, 2014, the SEC approved final rules implementing money market mutual fund reform, which, among other things, require institutional prime money market funds to maintain a floating net asset value and implement procedures that may restrict redemption in certain circumstances through the imposition of liquidity fees and gates

against investor redemptions. The implementation of these rules could lower investor demand for money market mutual funds, reduce the profitability of our money market mutual fund products or otherwise affect our business, earnings, or financial condition adversely. The implementation of these rules is occurring in phases through October 2016.

Further intervention of the U.S. and other governments in the financial services industry may heighten the challenges we face and make compliance with the evolving laws and regulations applicable to banks and other financial services companies more difficult and costly.

In the past several years, various regulatory bodies have demonstrated heightened enforcement scrutiny through many regulatory initiatives, including anti-money-laundering rules, anti-bribery laws, and loan-modification requirements. These

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and other regulatory requirements have increased compliance costs and regulatory risks and may lead to financial and reputational damage in the event of a violation. While we have programs in place, including policies, training and various forms of monitoring, designed to ensure compliance with legislative and regulatory requirements, these programs and policies may not always protect us from conduct by individual employees. Governments may take further actions to change significantly 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, and likely would involve additional legislative and regulatory requirements imposed on banks and other financial services companies. Such actions could increase compliance costs and regulatory risks, lead to financial and reputational damage in the event of a violation, affect our ability to compete successfully, and also may impact the nature and level of competition in the industry in unpredictable ways. The full scope and impact of possible enhanced regulatory and enforcement scrutiny and evolving legislation and regulation is uncertain and difficult to predict.

We may be impacted adversely by claims or litigation, including claims or litigation relating to our fiduciary responsibilities.
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 perceived to be owed to them. Our trust, custody and investment management businesses are particularly subject to this risk. This risk is heightened when we act as a fiduciary for our clients and may be further 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 our stock price and those of other financial institutions increases this risk. Claims made or actions brought against us, whether founded or unfounded, may result in injunctions, settlements, damages, fines or penalties, which could have a material adverse effect on our financial condition or results of operations or require changes to our business. Even if we defend ourselves successfully, the cost of litigation is often substantial, and public reports regarding claims made against us may cause damage to our reputation among existing and prospective clients or negatively impact the confidence of counterparties, rating agencies and stockholders, consequently affecting our earnings negatively.

We may be impacted adversely by regulatory enforcement matters.
In the ordinary course of our business, we are subject to various regulatory, governmental and enforcement inquiries, investigations and subpoenas. These may be directed generally to participants in the businesses in which we are involved or may be directed specifically at us. In conjunction with enforcement matters, we may face claims for disgorgement, the imposition of civil and criminal penalties or the imposition of other remedial sanctions, any of which could have an adverse impact on us.

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

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

responsibilities may subject us to liability or cause client dissatisfaction, which may impact negatively our earnings and growth.

Strategic Risks

If we do not execute strategic plans successfully, we will not grow as we have planned and our earnings growth will be impacted negatively.

Our growth depends upon successful, consistent execution of our business strategies. A failure to execute these strategies will impact growth negatively. A failure to grow organically or to integrate successfully an acquisition could have an adverse effect on our business. The challenges arising from generating organic growth or the integration of an acquired business may include preserving valuable relationships with employees, clients, suppliers and other business partners,

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delivering enhanced products and services, as well as combining accounting, data processing and internal control systems. To the extent we enter into transactions to acquire complementary businesses and/or technologies, we may not achieve the expected benefits of such transactions, which could result in increased costs, lowered revenues, ineffective deployment of capital, regulatory concerns, exit costs or diminished competitive position or reputation. These risks may be increased if the acquired company operates internationally or in a geographic location where we do not already have significant business operations.

Execution of our business strategies also may require certain regulatory approvals or consents, which may include approvals of the Federal Reserve Board and other domestic and non-U.S. regulatory authorities. These regulatory authorities may impose conditions on the activities or transactions contemplated by our business strategies which may impact negatively our ability to realize fully the expected benefits of certain opportunities. Further, acquisitions we announce may not be completed if we do not receive the required regulatory approvals, if regulatory approvals are significantly delayed or if other closing conditions are not satisfied.

Competition for our employees is intense, and we may not be able to attract and retain key personnel.

Our success depends, in large part, on our ability to attract new employees, retain and motivate our existing employees, and continue to compensate our employees competitively. Competition for the best employees in most activities in which we engage can be intense, and there can be no assurance that we will be successful in our efforts to recruit and retain key personnel. Factors that affect our ability to attract and retain talented and diverse employees include our compensation and benefits programs, our profitability and our reputation for rewarding and promoting qualified employees. Our ability to attract and retain key executives and other employees may be hindered as a result of existing and potential regulations applicable to incentive compensation and other aspects of our compensation programs. These regulations may not apply to some of our competitors and to other institutions with which we compete for talent. The unexpected loss of services of key personnel, both in businesses and corporate functions, could have a material adverse impact on our business because of their skills, knowledge of our markets, operations and clients, years of industry experience and, in some cases, the difficulty of promptly finding qualified replacement personnel. Similarly, the loss of key employees, either individually or as a group, could affect our clients' perception of our abilities adversely.

We are subject to intense competition in all aspects of our businesses, which could have a negative effect on our ability to maintain satisfactory prices and grow our earnings.

We provide a broad range of financial products and services in highly competitive markets. We compete against large, 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 other types of institutions to offer a variety of products and services competitive with certain areas of our business. Many of these nontraditional service providers have fewer regulatory constraints and some have lower cost structures. The same may be said for competitors based in non-U.S. jurisdictions, where legal and regulatory environments may be more favorable than those applicable to the Corporation and the Bank as U.S.-domiciled financial institutions. These competitive pressures may have a negative effect on our earnings and ability to grow. Furthermore, pricing pressures, as a result of the willingness of competitors to offer comparable or improved products or services at a lower price, may result in a reduction in the price we can charge for our products and services, which could have a negative effect on our ability to maintain or increase our profitability.

Damage to our reputation could 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 therefore could affect our earnings negatively. Damage to our reputation also could affect the confidence of rating agencies, regulators, stockholders and other parties in a wide range of transactions that are important to our business. Failure to maintain our reputation ultimately would have an adverse effect on our ability to manage our balance sheet or grow our business. The global financial crisis of 2007-08 and resultant political and public sentiment regarding financial institutions have resulted in a significant amount of adverse media coverage of financial institutions. Actions by the financial services industry generally or by other members of or individuals in the financial services industry also could impact our reputation negatively. Further, the proliferation of social media websites utilized by us and third parties, as well as the personal use of social media by our employees and others, may increase the risk of negative publicity, which could harm our reputation or have other negative consequences.

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We need to invest in innovation constantly, and the inability or failure to do so may affect our businesses and earnings negatively.
Our success in the competitive environment in which we operate 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 affect our business opportunities, growth and earnings adversely. There are substantial risks and uncertainties associated with innovation efforts. We must invest significant time and resources in developing and marketing new products and services, and expected timetables for the introduction and development of new products or services may not be achieved and price and profitability targets may not be met. Further, our revenues and costs may fluctuate because new products and services generally require start-up costs while corresponding revenues take time to develop or may not develop at all.

Failure to understand or appreciate fully the risks associated with development or delivery of new product and service offerings will affect our businesses and earnings negatively.
The success of our innovation efforts depends, in part, on the 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 deliver them to clients effectively. 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 the success of our efforts at innovation and investment in new product and service offerings.

Our success with large, complex clients requires an understanding of the market and legal, regulatory and accounting standards in various jurisdictions.
A significant portion of our business involves providing certain services to large, complex clients which require an understanding of the market and legal, regulatory and accounting standards in various jurisdictions. Any failure to understand, address or comply with those standards appropriately could affect our growth prospects or affect our reputation negatively. We identify and manage risk through our business strategies and plans and our risk management practices and controls. If we fail to identify and manage significant risks successfully, we could incur financial loss, suffer damage to our reputation that could restrict our ability to grow or conduct business profitably, or become subject to regulatory penalties or constraints that could limit some of our activities or make them significantly more expensive. In addition, our businesses and the markets in which we operate are continuously evolving. We may fail to understand fully the implications of changes in legal or regulatory requirements, our businesses or the financial markets or fail to enhance our risk framework to address those changes in a timely fashion. If our risk framework is ineffective, either because it fails to keep pace with changes in the financial markets, legal and regulatory requirements, our businesses, our counterparties, clients or service providers or for other reasons, we could incur losses, suffer reputational damage or find ourselves out of compliance with applicable regulatory or contractual mandates or expectations. These risks are magnified as client requirements become more complex and as our increasingly global business requires end-to-end management of operational and other processes across multiple time zones and many inter-related products and services.

Failure to produce adequate and competitive returns can affect our earnings and growth prospects negatively.
We derive a significant portion of our revenues from our investment management, fiduciary and asset-servicing businesses. 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 affect our earnings negatively.

We may take actions to maintain client satisfaction that result in losses or reduced earnings.

We may 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.

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Other Risks

Changes in tax laws and interpretations and tax challenges may affect our earnings negatively.

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 our actions taken in response to, or reliance upon, such changes in the tax laws may impact our tax position in a manner that results in lower earnings.

In the course of our business, we are sometimes subject to challenges from U.S. and non-U.S. tax authorities regarding the amount of taxes due. 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 may require a greater provision for taxes or otherwise affect earnings negatively.

Changes in accounting standards may be difficult to predict and could have a material impact on our consolidated financial statements.

New accounting standards, changes to existing accounting standards, or changes in the interpretation of existing accounting standards by the Financial Accounting Standards Board, the International Accounting Standards Board, the SEC or bank regulatory agencies, or otherwise reflected in GAAP, potentially could have a material impact on our financial condition and results of operations. These changes are difficult to predict and in some cases we could be required to apply a new or revised standard retroactively, resulting in the revised treatment of certain transactions or activities, or even the restatement of consolidated financial statements for prior periods.

Our ability to return capital to stockholders is subject to the discretion of our Board of Directors and may be limited by U.S. banking laws and regulations, applicable provisions of Delaware law, or our failure to pay full and timely dividends on our preferred stock and the terms of our outstanding debt.

Holders of our common stock are entitled to receive only such dividends and other distributions of capital as our Board of Directors may declare out of funds legally available for such payments under Delaware law. Although we have declared cash dividends on shares of our common stock historically, we are not required to do so. In addition to the approval of our Board of Directors, our ability to take certain actions, including our ability to pay dividends, repurchase stock, and make other capital distributions, is dependent upon, among other things, their payment being made in accordance with a capital plan that has been reviewed by the Federal Reserve Board through the CCAR exercise and as to which the Federal Reserve Board has not objected. There can be no assurance that the Federal Reserve Board will respond favorably to our future capital plans. In addition to imposing restrictions on our ability to return capital to stockholders, an objection by the Federal Reserve Board to a future capital plan would negatively impact our reputation and investor perceptions of us.

A significant source of funds for the Corporation is dividends from the Bank. As a result, our ability to pay dividends on the Corporation's common stock will depend on the ability of the Bank to pay dividends to the Corporation. There are various legal limitations on the extent to which the Bank and the Corporation's other subsidiaries can supply funds to the Corporation by dividend or otherwise. Dividend payments by the Bank to the Corporation in the future will require continued generation of earnings by the Bank and could require regulatory approval under certain circumstances. If the Bank is unable to pay dividends to the Corporation in the future, our ability to pay dividends on the Corporation's common stock would be affected adversely.

Our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock or any of our shares that rank junior to our preferred stock as to the payment of dividends and/or the distribution of any assets on any liquidation, dissolution or winding-up of the Corporation also generally will be prohibited in the event that we do not declare and pay in full dividends for the then-current dividend period of our Series C preferred stock. Further, in the future if we default on certain of our outstanding debts or elect to defer interest payments on our Floating Rate Capital Debt we will be prohibited from making dividend payments on our common stock until such payments have been brought current.

Any reduction or elimination of our common stock dividend, or even our failure to increase our common stock dividend along with our competitors, likely would have a negative effect on the market price of our common stock.

For more information on dividend restrictions, see “Supervision and Regulation—Payment of Dividends” in Item 1, “Business.”

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 La Salle Street in Chicago. This Bank-owned building is occupied by various divisions of Northern Trust's businesses. Adjacent to this building are two office buildings in which the Bank leases space principally for corporate support functions. Financial services are provided by the Bank and other subsidiaries of the Corporation through a network of offices in 19 U.S. states, Washington D.C., and 20 international locations. The majority of those offices are leased. The Bank's primary U.S. operations are located in six facilities: a leased facility at 801 South Canal Street in Chicago; a subleased facility at 231 South La Salle Street in Chicago; a leased facility at 181 West Madison Street in Chicago; a leased facility at 10 South La Salle Street in Chicago; and two Bank-owned supplementary operations/data center buildings located in the western suburbs of Chicago. A majority of the Bank's London-based staff is located at a leased facility at Canary Wharf in London. Additional support and operations activity originates from two facilities in each of Bangalore and Limerick, as well as one facility in each of Manila and Tempe, Arizona, all of which are leased. 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.

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," included under Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K and which information is incorporated herein by reference.

ITEM 3 – LEGAL PROCEEDINGS

The information presented under the caption "Legal Proceedings" in Note 24, "Contingent Liabilities," included under Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

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SUPPLEMENTAL ITEM – EXECUTIVE OFFICERS OF THE REGISTRANT

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

Frederick H. Waddell – Mr. Waddell, age 62, joined Northern Trust in 1975 and has served as Chairman of the Board since 2009 and Chief Executive Officer since 2008. Mr. Waddell served as President from 2006 to 2011, Chief Operating Officer from 2006 to 2008, and Executive Vice President and President of Corporate & Institutional Services from 2003 to 2006. Prior to that, Mr. Waddell held leadership positions in commercial banking, strategic planning and Wealth Management.

S. Biff Bowman – Mr. Bowman, age 52, joined Northern Trust in 1985 and has served as Executive Vice President and Chief Financial Officer since September 2014. Prior to that, Mr. Bowman served as Executive Vice President, Human Resources from 2012 to 2014. From 2010 to 2012, Mr. Bowman was the Head of Americas for Corporate & Institutional Services. From 2008 to 2010, he served as Executive Vice President, Corporate & Institutional Services for Europe, Middle East and Africa.

Robert P. Browne – Mr. Browne, age 50, joined Northern Trust in 2009 as Executive Vice President and Chief Investment Officer. Before joining Northern Trust, Mr. Browne served as Chief Investment Officer for Fixed Income and Proprietary Investments for ING Investment Management Holdings N.V. from 2004 to 2009.

Peter B. Cherecwich – Mr. Cherecwich, age 51, joined Northern Trust in 2007 and has served as Executive Vice President and President of Global Fund Services since 2010. Mr. Cherecwich also served as Chief Operating Officer of Corporate & Institutional Services from 2008 to 2014. Prior to that, he served as Head of Institutional Strategy & Product Development from 2007 to 2008. Before joining Northern Trust, Mr. Cherecwich served in several executive and operational roles at State Street Corporation.

Jeffrey D. Cohodes – Mr. Cohodes, age 55, joined Northern Trust in 1993 and has served as Executive Vice President and Chief Risk Officer since 2011. Mr. Cohodes served as an Executive Vice President in the Wealth Management business from 2010 to 2011. From 2009 to 2010, he served as the Chief Operating Officer for Asset Management.

Steven L. Fradkin – Mr. Fradkin, age 54, joined Northern Trust in 1985 and has served as Executive Vice President and President of Wealth Management since September 2014. Prior to that, Mr. Fradkin served as President of Corporate & Institutional Services from 2009 to 2014. He served as Chief Financial Officer from 2004 to 2009.

Jane B. Karpinski – Ms. Karpinski, age 53, joined Northern Trust in 2006 and has served as Senior Vice President and Corporate Controller since 2013. Ms. Karpinski served as International Chief Financial Officer from 2012 to 2013. Prior to that, she served as Chief Financial Officer for Europe, Middle East and Africa from 2007 to 2012.

Wilson Leech – Mr. Leech, age 54, joined Northern Trust in 2004 and has served as Executive Vice President, Corporate & Institutional Services for Europe, Middle East and Africa since 2010. Prior to that, Mr. Leech served as Head of Global Fund Services from 2005 to 2010. He served as Chief Financial Officer for Europe, Middle East and Africa and Asia Pacific from 2004 to 2005. Before joining Northern Trust, Mr. Leech served in various operational and financial roles at State Street Corporation and the Royal Bank of Scotland.

Susan C. Levy – Ms. Levy, age 58, joined Northern Trust in 2014 as Executive Vice President and General Counsel. Before joining Northern Trust, Ms. Levy served as Managing Partner of the law firm Jenner & Block from 2008 to 2014, where she was a partner since 1990.

William L. Morrison – Mr. Morrison, age 65, joined Northern Trust in 1996 and has served as President since 2011. Prior to that, Mr. Morrison served as Executive Vice President and Chief Financial Officer from 2009 to 2011. From 2003 to 2009, he served as President of Wealth Management.

Michael G. O'Grady – Mr. O'Grady, age 50, joined Northern Trust in 2011 and has served as Executive Vice President and President of Corporate & Institutional Services since September 2014. Prior to that, Mr. O'Grady served as Chief Financial Officer from 2011 to 2014. Before joining Northern Trust, Mr. O'Grady served as a Managing Director in Bank of America Merrill Lynch's Investment Banking Group.

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S. Gillian Pembleton – Ms. Pembleton, age 57, joined Northern Trust in 1991 and has served as Executive Vice President, Human Resources since September 2014. Prior to that, Ms. Pembleton was responsible for Human Resources and Administration for Europe, Middle East and Africa from 2006 to 2014. From 2001 to 2006, she was the Global Head of Staffing and Development.

Stephen N. Potter – Mr. Potter, age 59, joined Northern Trust in 1982 and has served as Executive Vice President and President of Asset Management since 2008. Prior to that, Mr. Potter served as Executive Vice President, Corporate & Institutional Services for Europe, Middle East and Africa from 2001 to 2008.

Joyce M. St. Clair – Ms. St. Clair, age 56, joined Northern Trust in 1992 and has served as Executive Vice President and Chief Capital Management Officer since July 2015. Prior to that, Ms. St. Clair served as Executive Vice President and President of Enterprise Operations from September 2014 to July 2015, as President of Operations & Technology from 2011 to 2014, and as Chief Risk Officer from 2007 to 2011.

Jana R. Schreuder – Ms. Schreuder, age 57, joined Northern Trust in 1980 and has served as Executive Vice President and Chief Operating Officer since September 2014. Prior to that, Ms. Schreuder served as President of Wealth Management from 2011 to 2014. She served as President of Operations & Technology from 2006 to 2011, and as Chief Risk Officer from 2005 to 2006.

All officers are appointed annually by the Board of Directors. 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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PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on The NASDAQ Stock Market LLC under the symbol “NTRS.” There were 2,147 shareholders of record as of January 31, 2016. The information required by this item concerning the market prices of, and dividends on, our common stock during the past two years is provided under “Quarterly Financial Data (Unaudited)” included under “Supplemental Item – Selected Statistical and Supplemental Financial Data,” and is incorporated herein by reference.

Information regarding dividend restrictions applicable to the Corporation and its banking subsidiaries is incorporated herein by reference to “Supervision and Regulation – Payment of Dividends,” “ – Capital Planning and Stress Testing” and “ – Capital Adequacy Requirements” included under Item 1, “Business,” of this Annual Report on Form 10-K, and Note 30, “Restrictions on Subsidiary Dividends and Loans or Advances,” to the “Notes to Consolidated Financial Statements” included under Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K.

The following table shows certain information relating to the Corporation’s purchases of common stock for the three months ended December 31, 2015.

TABLE 2: PURCHASES OF COMMON STOCK IN THE FOURTH QUARTER OF 2015

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, 2015	199,142	$ 68.84	199,142	11,590,645
November 1-30, 2015	1,144,968	73.48	1,144,968	10,445,677
December 1-31, 2015	741,675	73.68	741,675	9,704,002
Total (Fourth Quarter)	2,085,785	$ 73.11	2,085,785	9,704,002

(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) Repurchases were made pursuant to the repurchase program announced by the Corporation on April 22, 2015, under which the Corporation's Board of Directors authorized the Corporation to repurchase up to 15.0 million shares of the Corporation's common stock. The repurchase program has no expiration date.

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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

The graph below compares the cumulative total stockholder return on the Corporation’s common stock to the cumulative total return of the S&P 500 Index and the KBW Bank Index for the five fiscal years which ended December 31, 2015. The cumulative total stockholder return assumes the investment of $100 in the Corporation’s common stock and in each index on December 31, 2010 and assumes reinvestment of dividends. The KBW Bank Index is a modified-capitalization-weighted index made up of 24 of the largest banking companies in the United States. The Corporation is included in the S&P 500 Index and the KBW Bank Index.

Total Return Assumes $100 Invested on
December 31, 2010 with Reinvestment of Dividends

	DECEMBER 31,					
	2010	2011	2012	2013	2014	2015
Northern Trust	100	74	95	120	133	146
S&P 500	100	102	118	157	178	181
KBW Bank Index	100	77	102	141	154	155

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ITEM 6 – SELECTED FINANCIAL DATA

	2015	2014	2013	2012	2011
FOR THE YEAR ENDED DECEMBER 31,					
CONDENSED STATEMENTS OF INCOME (In Millions)					
Noninterest Income	$3,632.5	$3,325.7	$3,156.2	$2,905.8	$2,760.8
Net Interest Income	1,070.1	1,005.5	933.1	990.3	1,009.1
Total Revenue	$4,702.6	$4,331.2	$4,089.3	$3,896.1	$3,769.9
Provision for Credit Losses	(43.0)	6.0	20.0	25.0	55.0
Noninterest Expense	3,280.6	3,135.0	2,993.8	2,878.8	2,831.2
Income before Income Taxes	$1,465.0	$1,190.2	$1,075.5	$992.3	$883.7
Provision for Income Taxes	491.2	378.4	344.2	305.0	280.1
Net Income	$973.8	$811.8	$731.3	$687.3	$603.6
Preferred Stock Dividends	23.4	9.5	—	—	—
Net Income Applicable to Common Stock	$950.4	$802.3	$731.3	$687.3	$603.6
PER COMMON SHARE					
Net Income – Basic	$4.03	$3.34	$3.01	$2.82	$2.47
– Diluted	3.99	3.32	2.99	2.81	2.47
Cash Dividends Declared Per Common Share	1.41	1.30	1.23	1.18	1.12
Book Value – End of Period (EOP)	36.27	34.54	33.34	31.51	29.53
Market Price – EOP	72.09	67.40	61.89	50.16	39.66
SELECTED BALANCE SHEET DATA (In Millions)					
At Year End:					
Earning Assets	$106,848.9	$100,889.8	$93,367.2	$87,472.7	$90,793.6
Total Assets	116,749.6	109,946.5	102,947.3	97,463.8	100,223.7
Deposits	96,868.9	90,757.0	84,098.1	81,407.8	82,677.5
Senior Notes	1,497.4	1,497.0	1,996.6	2,405.8	2,126.7
Long-Term Debt	1,371.3	1,615.1	1,709.2	1,421.6	2,133.3
Stockholders' Equity	8,705.9	8,448.9	7,912.0	7,527.0	7,117.3
Average Balances:					
Earning Assets	$102,249.8	$95,947.5	$85,628.3	$84,168.5	$82,748.8
Total Assets	110,715.1	104,083.5	94,857.7	92,975.5	91,947.9
Deposits	90,768.0	84,656.6	75,596.3	75,219.8	72,446.4
Senior Notes	1,497.2	1,661.2	2,247.0	2,295.2	1,983.3
Long-Term Debt	1,426.4	1,654.9	1,211.7	1,634.1	2,446.3
Stockholders' Equity	8,624.5	8,166.5	7,667.7	7,358.2	7,024.2
CLIENT ASSETS (In Billions)					
Assets Under Custody	$6,072.1	$5,968.8	$5,575.7	$4,804.9	$4,262.8
Assets Under Management	875.3	934.1	884.5	758.9	662.9
SELECTED RATIOS AND METRICS					
Financial Ratios and Metrics:					
Return on Average Common Equity	11.54 %	10.02 %	9.54 %	9.34 %	8.59 %
Return on Average Assets	0.88	0.78	0.77	0.74	0.66
Dividend Payout Ratio	35.3	39.2	41.1	42.0	45.4

Net Interest Margin (*)	1.07	1.08	1.13	1.22	1.27
Average Stockholders' Equity to Average Assets	7.8	7.8	8.1	7.9	7.6

Capital Ratios:	DECEMBER 31, 2015		DECEMBER 31, 2014		December 31, 2013 (d)	December 31, 2012 (d)	December 31, 2011 (d)
	ADVANCED APPROACH (a)	STANDARDIZED APPROACH (b)	ADVANCED APPROACH (a)	STANDARDIZED APPROACH (b)			
Common Equity Tier 1	11.9 %	10.8 %	12.4 %	12.5 %	12.9 %	12.4 %	12.1 %
Tier 1	12.5	11.4	13.2	13.3	13.4	12.8	12.5
Total	14.2	13.2	15.0	15.5	15.8	14.3	14.2
Tier 1 Leverage	7.5	7.5	N/A	7.8	7.9	8.2	7.3
Supplementary Leverage (c)	6.2	N/A	N/A	N/A	N/A	N/A	N/A

(*) Net interest margin is presented on a fully taxable equivalent (FTE) basis, a non-generally-accepted-accounting-principle (GAAP) financial measure that facilitates the analysis of asset yields. The net interest margin on a GAAP basis and a reconciliation of net interest income on a GAAP basis to net interest income on an FTE basis are presented on page 83.

(a) Effective with the second quarter of 2014, Northern Trust exited its parallel run. Accordingly, the December 31, 2015 and 2014 capital balances and ratios are calculated in accordance with the Basel III Advanced Approach final rules released by the Federal Reserve Board on July 2, 2013.

(b) In 2014, Standardized Approach risk-weighted assets were determined by Basel I requirements. Effective with the first quarter of 2015, risk-weighted assets are calculated in accordance with the Basel III Standardized Approach final rules.

(c) Beginning with the first quarter of 2015, advanced approaches banking organizations must calculate and report their supplementary leverage ratio. Effective January 1, 2018, the Corporation will be subject to a minimum supplementary leverage ratio of 3 percent.

(d) The December 31, 2013, 2012 and 2011 ratios are calculated in accordance with Basel I requirements.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

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. Northern Trust focuses on managing and servicing client assets through its two client-focused reporting segments: Corporate & Institutional Services (C&IS) and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business. 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 19 U.S. states, Washington, D.C., and 20 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. Except where the context otherwise requires, the term "Northern Trust" refers to Northern Trust Corporation and its subsidiaries on a consolidated basis.

FINANCIAL OVERVIEW

Net income in 2015 totaled $973.8 million, up 20% from $811.8 million in 2014. Earnings per diluted common share totaled $3.99 in 2015 compared to $3.32 in 2014. Return on average common equity improved to 11.5% in 2015, from 10.0% in 2014. The current year includes a pre-tax gain on the sale of 1.0 million shares of Visa Inc. Class B common stock (Visa Class B common shares) totaling $99.9 million, voluntary cash contributions to certain constant dollar net-asset-value (NAV) funds of $45.8 million and the impairment of the residual value of certain aircraft under leveraged lease agreements of $17.8 million. Excluding these current-year items, net income per diluted common share, net income and return on average common equity were $3.90, $951.4 million and 11.3%, respectively. Net income in 2014 included pre-tax charges and write-offs totaling $47.5 million. Excluding these prior-year charges and write-offs, net income per diluted common share, net income and return on average common equity were $3.45, $843.0 million and 10.4%, respectively.

The 2015 results reflect a continued focus on serving the complex and evolving needs of our clients, while enhancing profitability and returns for our stockholders. Revenue increased 9% to $4.70 billion in 2015 from $4.33 billion in the prior year, driven by a 5% increase in trust, investment and other servicing fees and a 6% increase in net interest income. Noninterest expense increased 5% to $3.28 billion in 2015 compared to $3.14 billion in 2014, attributable to increased compensation, equipment and software, outside services and employee benefits expense.

Trust, investment and other servicing fees, which represent the largest component of total revenue, increased 5% to $2.98 billion, from $2.83 billion in 2014, primarily due to new business, favorable equity markets and lower money market mutual fund fee waivers, partially offset by the unfavorable impacts of movements in foreign exchange rates. Foreign exchange trading income of $261.8 million increased 25% from $210.1 million in 2014, resulting from higher currency market volatility.

Other operating income in 2015 includes the $99.9 million gain on the sale of a portion of the Visa Class B common shares held by Northern Trust.

Client assets under custody and under management were up 2% and down 6%, respectively, as of December 31, 2015 as compared to December 31, 2014 levels. As of December 31, 2015, client assets under custody increased to $6.07 trillion from $5.97 trillion, and included $3.53 trillion of global custody assets, up 2% from $3.46 trillion in 2014. As of December 31, 2015, client assets under management decreased to $875.3 billion from $934.1 billion in 2014.

Reported net interest income of $1.07 billion increased 6%, reflecting higher levels of earnings assets.

The provision for credit losses was a credit of $43.0 million in 2015, reflecting continued improvement in credit quality across the portfolio coupled with the adoption of a change in estimation methodology for inherent losses. The provision for credit losses in 2014 was $6.0 million. Loans and leases as of December 31, 2015 totaled $33.2 billion, up 5% from $31.6 billion in 2014. Net charge-offs for the year ended December 31, 2015 and nonperforming assets as of December 31, 2015, were $19.5 million and $188.3 million, respectively, compared to $18.0 million and $232.3 million in 2014.

Total noninterest expense equaled $3.28 billion, up 5% from 2014. The current year includes a $45.8 million charge related to voluntary cash contributions to certain constant dollar NAV funds, while the prior year included pre-tax charges and write-offs of $47.5 million. Excluding these charges and write-offs, noninterest expense increased $147.3 million, or 5%, attributable to increased compensation, equipment and software, outside services and employee benefits expense.

Northern Trust continued to maintain a strong capital position during 2015, with all capital ratios exceeding those required for classification as "well-capitalized" under federal bank regulatory capital requirements. Total stockholders' equity equaled $8.7 billion at year-end, up 3% from $8.4 billion in 2014. During the year ended December 31, 2015, Northern Trust increased its quarterly common stock dividend to $0.36 per share and repurchased 6.9 million shares of common stock, returning $829.9 million in capital to common stockholders, compared to $792.4 million in 2014.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Northern Trust generates the majority of its revenue from noninterest income that primarily consists of trust, investment and other servicing fees. Net interest income comprises the remainder of revenue and consists of interest income generated by earning assets, net of interest expense on deposits and borrowed funds.

Revenue in 2015 was $4.70 billion, an increase of 9% from $4.33 billion in 2014. Noninterest income, representing 77% of total revenue in both 2015 and 2014, totaled $3.63 billion and $3.33 billion in 2015 and 2014, respectively, up 9% in 2015.

The current-year increase in noninterest income primarily reflected higher trust, investment and other servicing fees, other operating income and foreign exchange trading income. Trust, investment and other servicing fees totaled $2.98 billion in 2015, up $147.7 million, or 5%, from $2.83 billion in 2014, primarily reflecting new business, favorable equity markets and lower money market mutual fund fee waivers, partially offset by the unfavorable impacts of movements in foreign exchange rates. Foreign exchange trading income in 2015 totaled $261.8 million, up $51.7 million, or 25%, compared with $210.1 million in 2014, reflecting higher currency market volatility. Other operating income in 2015 includes a $99.9 million gain on the sale of a portion of the Visa Class B common shares held by Northern Trust.

Net interest income on a fully taxable equivalent (FTE) basis in 2015 was $1.10 billion, an increase of $60.5 million, or 6%, from $1.03 billion in 2014, attributable to higher levels of earnings assets, partially offset by a decline in the net interest margin. Average earning assets increased $6.3 billion, or 7% in 2015, reflecting higher levels of securities and loans and leases. The net interest margin declined to 1.07% in 2015 from 1.08% in 2014. The net interest margin reflects the impact of a $17.8 million impairment of the residual value of certain aircraft under leveraged lease agreements. Excluding the impairment, the net interest margin was 1.09% in 2015.

Additional information regarding Northern Trust's revenue by type is provided below.

2015 TOTAL REVENUE OF $4.70 BILLION

n	63% - Trust, Investment and Other Servicing Fees
n	23% - Net Interest Income
n	6% - Foreign Exchange Trading Income
n	8% - Other Noninterest Income

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Noninterest Income

The components of noninterest income, and a discussion of significant changes during 2015 and 2014, are provided below.

TABLE 3: NONINTEREST INCOME

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Trust, Investment and Other Servicing Fees	$2,980.5	$2,832.8	$2,609.8	5 %	9 %
Foreign Exchange Trading Income	261.8	210.1	244.4	25	(14)
Treasury Management Fees	64.7	66.0	69.0	(2)	(4)
Security Commissions and Trading Income	78.7	67.6	68.0	16	(1)
Other Operating Income	247.1	153.5	166.5	61	(8)
Investment Security Losses, net	(0.3)	(4.3)	(1.5)	(94)	181
Total Noninterest Income	$3,632.5	$3,325.7	$3,156.2	9 %	5 %

Trust, Investment and Other Servicing Fees

Trust, investment and other servicing fees were $2.98 billion in 2015 compared with $2.83 billion in 2014. Trust, investment and other servicing fees are based primarily on the market value of assets held in custody, managed and serviced; the volume of transactions; securities lending volume and spreads; and fees for other services rendered. Certain market value calculations on which fees are based are performed on a monthly or quarterly basis in arrears. Based on an analysis of historical trends and current asset and product mix, management estimates that a 10% rise or fall in overall equity markets would cause a corresponding increase or decrease in Northern Trust's trust, investment and other servicing fees of approximately 3% and in total revenue of approximately 2%. For a more detailed discussion of 2015 trust, investment and other servicing fees, refer to the "Reporting Segments and Related Information" section.

The following table presents selected equity market indices and the percentage changes year over year.

TABLE 4: MARKET INDICES

	DAILY AVERAGES			YEAR-END		
	2015	2014	CHANGE	2015	2014	CHANGE
S&P 500	2,061	1,931	7 %	2,044	2,059	(1)%
MSCI EAFE (in U.S. dollars)	1,048	1,888	(44)	1,716	1,775	(3)

ASSETS UNDER CUSTODY/ADMINISTRATION AND ASSETS UNDER MANAGEMENT

Assets under custody/administration (AUC/A), and assets under management form the primary drivers of our trust, investment and other servicing fees. For the purposes of disclosing AUC/A, to the extent that both custody and administration services are provided, the value of the assets is included only once. At December 31, 2015, AUC/A were $7.80 trillion. Assets under custody, a component of AUC/A, were $6.07 trillion at December 31, 2015, up 2% from $5.97 trillion at December 31, 2014, and included $3.53 trillion of global custody assets, compared to $3.46 trillion at December 31, 2014. The increase in assets under custody primarily reflected net inflows partially offset by an unfavorable impact from foreign currency translation. Assets under management totaled $875.3 billion, down 6% from $934.1 billion at the end of 2014. The decrease primarily reflected net outflows, including equity outflows from certain sovereign wealth fund clients and a significant outflow from one fixed income mandate, coupled with the unfavorable impact from equity markets and foreign currency translation.

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Assets under custody by reporting segment were as follows:

TABLE 5: ASSETS UNDER CUSTODY BY REPORTING SEGMENT

	DECEMBER 31,					CHANGE		FIVE-YEAR COMPOUND GROWTH RATE
($ In Billions)	2015	2014	2013	2012	2011	2015 / 2014	2014 / 2013	
Corporate & Institutional	$5,565.8	$5,453.1	$5,079.7	$4,358.6	$3,877.6	2 %	7 %	8 %
Wealth Management	506.3	515.7	496.0	446.3	385.2	(2)	4	6
Total Assets Under Custody	$6,072.1	$5,968.8	$5,575.7	$4,804.9	$4,262.8	2 %	7 %	8 %

Assets under custody were invested as follows:

TABLE 6: ASSETS UNDER CUSTODY BY INVESTMENT TYPE

	DECEMBER 31,				
	2015	2014	2013	2012	2011
Equities	44 %	45 %	47 %	44 %	43 %
Fixed Income Securities	37	36	34	36	37
Cash and Other Assets	19	19	19	20	20

Assets under management by reporting segment were as follows:

TABLE 7: ASSETS UNDER MANAGEMENT BY REPORTING SEGMENT

	DECEMBER 31,					CHANGE		FIVE-YEAR COMPOUND GROWTH RATE
($ In Billions)	2015	2014	2013	2012	2011	2015 / 2014	2014 / 2013	
Corporate & Institutional	$648.0	$709.6	$662.7	$561.2	$489.2	(9)%	7 %	6 %
Wealth Management	227.3	224.5	221.8	197.7	173.7	1	1	8
Total Assets Under Management	$875.3	$934.1	$884.5	$758.9	$662.9	(6)%	6 %	6 %

Assets under management were invested and managed as follows:

TABLE 8: ASSETS UNDER MANAGEMENT BY INVESTMENT TYPE

	DECEMBER 31,				
	2015	2014	2013	2012	2011
Equities	51 %	52 %	54 %	48 %	44 %
Fixed Income Securities	17	17	17	19	19
Cash and Other Assets	20	18	17	21	23

Securities Lending Collateral	12	13	12	12	14

TABLE 9: ASSETS UNDER MANAGEMENT BY MANAGEMENT STYLE

	DECEMBER 31,				
	2015	2014	2013	2012	2011
Index	47 %	49 %	51 %	47 %	49 %
Active	40	39	43	46	44
Multi-Manager	4	6	4	5	5
Other	9	6	2	2	2

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Foreign Exchange Trading Income

Northern Trust provides foreign exchange services in the normal course of business as an integral part of its global custody services. Active management of currency positions, within conservative limits, also contributes to foreign exchange trading income. Foreign exchange trading income totaled $261.8 million in 2015 compared with $210.1 million in the prior year. The increase of $51.7 million, or 25%, is attributable to higher currency market volatility in 2015.

Treasury Management Fees

Treasury management fees, generated from cash and treasury management products and services provided to clients, totaled $64.7 million, down 2% from $66.0 million in 2014.

Security Commissions and Trading Income

Security commissions and trading income is generated primarily from securities brokerage services provided by Northern Trust Securities, Inc., and totaled $78.7 million in 2015, up 16%, or $11.1 million, from $67.6 million in 2014, primarily due to higher income from interest rate protection products sold to clients.

Other Operating Income

The components of other operating income include:

TABLE 10: OTHER OPERATING INCOME

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Loan Service Fees	$59.1	$62.7	$61.9	(6)%	1%
Banking Service Fees	48.2	49.6	50.9	(3)	(3)
Other Income	139.8	41.2	53.7	N/M	(23)
Total Other Operating Income	$247.1	$153.5	$166.5	61%	(8)%

Other income in 2015 includes a $99.9 million net gain on the sale of 1.0 million Visa Class B common shares held by Northern Trust. In addition, other income in 2015 includes a $25.9 million net gain on the sale of certain loans and leases, offset by a $27.0 million fair value adjustment on leases classified as held for sale as of December 31, 2015, each of which is related to the decision to exit a portion of a non-strategic loan and lease portfolio. Excluding these current-year items, the "other" component of other operating income was relatively unchanged from 2014.

Investment Security Losses, Net

Net investment security losses totaled $0.3 million and $4.3 million in 2015 and 2014, respectively. There were no other-than-temporary impairment (OTTI) losses in 2015. Losses in 2014 include $4.2 million of charges related to the OTTI of certain Community Reinvestment Act (CRA) eligible held to maturity securities.

NONINTEREST INCOME – 2014 COMPARED WITH 2013

Trust, investment and other servicing fees were $2.83 billion in 2014, up 9% from $2.61 billion in 2013, primarily attributable to new business and the favorable impact of equity markets and movements in foreign exchange rates, partially offset by higher waived fees in money market mutual funds. Foreign exchange trading income decreased 14% in 2014 to $210.1 million from $244.4 million in 2013, reflecting lower currency market volatility and client volumes as compared to 2013.

Other operating income totaled $153.5 million in 2014, a decrease of 8% from $166.5 million in 2013. Other operating income in 2013 included the $32.6 million gain on the sale of an office building property, partially offset by the $12.4 million write-off of certain fee receivables. Excluding these items, other operating income in 2014 increased 5% from 2013, primarily attributable to increased income from currency-related hedging, lease-related and third party servicing activities in 2014.

Net investment security losses totaled $4.3 million and $1.5 million in 2014 and 2013, respectively. Results for 2014 include $4.2 million of pre-tax charges for the credit-related OTTI of certain CRA eligible securities held within Northern Trust's balance sheet investment securities portfolio. There were no OTTI losses in 2013.

Net Interest Income

Net interest income stated on an FTE basis is a non-generally-accepted-accounting-principle (GAAP) financial measure that facilitates the analysis of asset yields. Management believes an FTE presentation provides a clearer indication of net interest margins for comparative purposes. When adjusted to an FTE basis, yields on taxable, nontaxable, and partially

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taxable assets are comparable; however, the adjustment to an FTE basis has no impact on net income. A reconciliation of net interest income on a GAAP basis to net interest income on an FTE basis is provided on page 83.
An analysis of net interest income on an FTE basis, major balance sheet components impacting net interest income and related ratios are provided below.

TABLE 11: ANALYSIS OF NET INTEREST INCOME (FTE)

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Interest Income – GAAP	$1,224.0	$1,186.9	$1,155.5	3 %	3 %
FTE Adjustment	25.3	29.4	32.5	(14)	(9)
Interest Income – FTE	1,249.3	1,216.3	1,188.0	3	2
Interest Expense	153.9	181.4	222.4	(15)	(18)
Net Interest Income – FTE Adjusted	1,095.4	1,034.9	965.6	6	7
Net Interest Income – GAAP	1,070.1	1,005.5	933.1	6	8
AVERAGE BALANCE					
Earning Assets	$102,249.8	$95,947.5	$85,628.3	7 %	12 %
Interest-Related Funds	74,252.7	73,167.2	67,364.2	1	9
Net Noninterest-Related Funds	27,997.1	22,780.3	18,264.1	23	25
				CHANGE IN PERCENTAGE	
AVERAGE RATE					
Earning Assets	1.22 %	1.27 %	1.39 %	(0.05)	(0.12)
Interest-Related Funds	0.21	0.25	0.33	(0.04)	(0.08)
Interest Rate Spread	1.01	1.02	1.06	(0.01)	(0.04)
Total Source of Funds	0.15	0.19	0.26	(0.04)	(0.07)
Net Interest Margin – FTE	1.07 %	1.08 %	1.13 %	(0.01)	(0.05)

Refer to pages 161 and 162 for additional analysis of net interest income.

Net interest income is defined as the total of interest income and amortized fees on earning assets, less interest expense on deposits and borrowed funds, adjusted for the impact of interest-related hedging activity. Earning assets – including federal funds sold, securities purchased under agreements to resell, interest-bearing due from banks and interest-bearing deposits with banks, Federal Reserve deposits, securities, and loans and leases – are financed by a large base of interest-bearing funds that include client deposits, short-term borrowings, senior notes and long-term debt. Earning assets also are funded by net noninterest-related funds, which include demand deposits, the allowance for credit losses, and stockholders' equity, reduced by nonearning assets such as noninterest-bearing cash and due from banks, items in process of collection, and buildings and equipment. Net interest income is subject to variations in the level and mix of earning assets and interest-bearing funds and their relative sensitivity to interest rates. In addition, the levels of nonperforming assets and client compensating deposit balances used to pay for services impact net interest income.

Net interest income in 2015 was $1.07 billion, up $64.6 million, or 6%, from $1.01 billion in 2014. Net interest income on an FTE basis for 2015 was $1.10 billion, an increase of $60.5 million, or 6%, from $1.03 billion in 2014. The increase is primarily attributable to higher levels of average earning assets, partially offset by a decrease in the net interest margin. Average earning assets increased $6.3 billion, or 7%, to $102.2 billion from $95.9 billion in 2014, reflecting higher levels of securities and loans and leases. The net interest margin on an FTE basis in 2015 was 1.07%, down from 1.08% in 2014. The net interest margin in 2015 reflects the impact of a $17.8 million impairment of the residual value of certain aircraft under leveraged lease agreements. Excluding the impairment, the net interest margin was 1.09% in 2015.

Growth in average earning assets primarily reflected increased securities and loans and leases, offset by a decrease in interest-bearing due from and deposits with banks. Securities, inclusive of Federal Reserve and Federal Home Loan Bank stock and certain community development investments which are classified in other assets in the consolidated balance sheets, averaged $37.4 billion, an increase of $4.0 billion, or 12%, from $33.4 billion in 2014. Loans and leases averaged $33.0 billion, an increase of $2.8 billion, or 9%, from $30.2 billion in 2014. Interest-bearing due from and deposits with banks averaged $15.7 billion in 2015, down $1.1 billion from $16.8 billion in 2014.

The increase in average earning assets was primarily funded by higher levels of demand and interest-bearing deposits. Average demand deposits increased $4.9 billion, or 25%, to $24.5 billion in 2015 from $19.6 billion in 2014, while non-

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U.S.-office interest-bearing client deposits averaged $49.4 billion in 2015, up $1.1 billion, or 2%, from $48.3 billion in 2014.
Stockholders’ equity averaged $8.6 billion in 2015 compared with $8.2 billion in 2014. The increase of $458.0 million, or 6%, primarily reflected current-year earnings, partially offset by dividend declarations and the repurchase of common stock pursuant to the Corporation's share repurchase program. During the year ended December 31, 2015, the Corporation increased its quarterly common stock dividend by 9% to $0.36 per share and repurchased 6.9 million shares, returning $829.9 million in capital to common stockholders, compared to $792.4 million in 2014. On August 5, 2014, the Corporation issued 16,000 shares of preferred stock for proceeds of $388.5 million, net of underwriting discounts, commissions and other issuance costs.
Under the Corporation’s capital plan submitted in January 2015, which was reviewed without objection by the Federal Reserve in March 2015, the Corporation may repurchase up to $285.3 million of common stock after December 31, 2015, through June 2016.
For additional analysis of average balances and interest rate changes affecting net interest income, refer to the Average Balance Sheets with Analysis of Net Interest Income included in “Supplemental Item – Selected Statistical and Supplemental Financial Data.”

NET INTEREST INCOME – 2014 COMPARED WITH 2013
Net interest income on an FTE basis increased 7% to $1.03 billion in 2014 from $965.6 million in 2013, primarily attributable to higher levels of average earning assets, partially offset by a decline in the net interest margin. The net interest margin in 2014 was 1.08%, down from 1.13% in 2013, primarily the result of lower yields on earning assets, partially offset by a lower cost of interest-related funds due to lower short-term interest rates.
Average earning assets increased $10.3 billion, or 12%, to $95.9 billion in 2014 from $85.6 billion in 2013. Growth in average earning assets primarily reflected a $7.1 billion, or 94%, increase in Federal Reserve deposits from 2013.
Stockholders’ equity averaged $8.2 billion and $7.7 billion in 2014 and 2013, respectively. The increase in 2014 reflected the retention of earnings and the issuance of preferred stock, partially offset by dividend declarations and the repurchase of common stock.

Provision for Credit Losses
The provision for credit losses was a credit of $43.0 million in 2015 compared with a provision of $6.0 million in 2014 and $20.0 million in 2013. The current-year provision primarily reflected improved credit quality across the portfolio coupled with the adoption of a change in estimation methodology for inherent losses. Nonperforming assets at December 31, 2015 decreased 19% from the prior year-end. Residential real estate and commercial loans accounted for 67% and 24%, respectively, of nonperforming loans and leases at December 31, 2015. For further discussion of the allowance and provision for credit losses for 2015, 2014, and 2013, refer to the “Asset Quality” section.

Noninterest Expense
Noninterest expense for 2015 totaled $3.28 billion, up $145.6 million, or 5%, from $3.14 billion in 2014. The current year includes a $45.8 million charge related to voluntary cash contributions to certain constant dollar NAV funds, while results for 2014 include $47.5 million of charges and write-offs.
The components of noninterest expense and a discussion of significant changes during 2015 and 2014 are provided below.

TABLE 12: NONINTEREST EXPENSE

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013

Compensation	$1,443.3	$1,417.9	$1,306.6	2 %	9 %
Employee Benefits	285.3	268.7	257.5	6	4
Outside Services	595.7	574.6	564.1	4	2
Equipment and Software	454.8	421.4	377.6	8	12
Occupancy	173.5	180.3	173.8	(4)	4
Other Operating Expense	328.0	272.1	314.2	21	(13)
Total Noninterest Expense	$3,280.6	$3,135.0	$2,993.8	5 %	5 %

Compensation

Compensation expense, the largest component of noninterest expense, totaled $1.44 billion and $1.42 billion in 2015 and 2014, respectively, an increase of $25.4 million, or 2%. Results for 2014 include severance-related charges totaling $29.4

million. Excluding these charges, compensation expense increased $54.8 million, or 4%, reflecting staff growth and base pay adjustments. Staff on a full-time equivalent basis totaled approximately 16,200 at December 31, 2015, up 5% from approximately 15,400 at December 31, 2014.

Employee Benefits
Employee benefits expense totaled $285.3 million in 2015, up $16.6 million, or 6%, from $268.7 million in 2014. Results for 2014 included $2.7 million of severance-related charges. Excluding these charges, employee benefits expense increased $19.3 million, or 7%, attributable to higher pension and employee medical expense.

Outside Services
Outside services expense totaled $595.7 million in 2015, up $21.1 million, or 4%, from $574.6 million in 2014. Outside services expense in 2014 included $1.6 million of severance-related charges. Excluding these charges, outside services expense increased $22.7 million, or 4%, from the prior year, primarily reflecting higher consulting expense due to regulatory related spend and increased technical services expense.

Equipment and Software
Equipment and software expense, comprised of depreciation and amortization, rental, and maintenance costs, increased $33.4 million, or 8%, to $454.8 million in 2015 compared to $421.4 million in 2014. Results for 2014 include $9.5 million of write-offs of replaced or eliminated software. Excluding these write-offs, equipment and software expense increased $42.9 million, or 10%, reflecting increased software amortization and related software support costs.

Occupancy
Occupancy expense totaled $173.5 million in 2015, down $6.8 million, or 4%, from $180.3 million in 2014. Occupancy expense in 2014 included charges totaling $4.3 million in connection with reductions in office space. Excluding these charges, occupancy expense decreased 1% compared to 2014.

Other Operating Expense
Other operating expense in 2015 totaled $328.0 million, up $55.9 million, or 21%, from $272.1 million in 2014. The components of other operating expense are as follows:

TABLE 13: OTHER OPERATING EXPENSE

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Business Promotion	$93.2	$88.0	$91.6	6%	(4)%
FDIC Insurance Premiums	25.2	22.0	23.5	14	(6)
Staff Related	40.5	39.1	39.1	4	—
Other Intangibles Amortization	10.9	19.5	21.1	(44)	(8)
Other Expenses	158.2	103.5	138.9	53	(25)
Total Other Operating Expense	$328.0	$272.1	$314.2	21%	(13)%

Other expenses in 2015 includes a charge related to voluntary cash contributions to certain constant dollar NAV funds totaling $45.8 million to bring the NAVs of these funds to $1.00. Other expenses in 2013 include a $19.2 million charge in connection with an agreement to resolve certain litigation.

NONINTEREST EXPENSE – 2014 COMPARED WITH 2013
Noninterest expense in 2014 totaled $3.14 billion, up 5% from $2.99 billion in 2013. Results for 2014 include $47.5 million of charges and write-offs while 2013 included a $19.2 million legal settlement charge.
Compensation expense increased 9% to $1.42 billion in 2014 from $1.31 billion in 2013. Results for 2014 include severance-related charges totaling $29.4 million. Excluding these charges, compensation expense increased $81.9 million, primarily due to higher staff levels and performance-based compensation and base pay adjustments.
Employee benefits expense totaled $268.7 million in 2014, up 4% from $257.5 million in 2013, and included $2.7 million of severance-related charges. Excluding these charges, employee benefits expense increased $8.5 million, attributable to higher expense associated with employee medical and defined contribution postretirement benefits and payroll tax expense, partially offset by lower pension expense.
Outside services expense totaled $574.6 million in 2014, up 2% from $564.1 million in 2013. Outside services expense in 2014 included $1.6 million of severance-related charges. Excluding these charges, outside services increased $8.9

million, primarily related to higher sub-custodian and investment management sub-advisor fees, partially offset by lower technical services expense.

Equipment and software expense increased 12% to $421.4 million in 2014 compared to $377.6 million in 2013. Results for 2014 include $9.5 million of write-offs of replaced or eliminated software. Excluding these write-offs, equipment and software expense increased $34.3 million, reflecting increased software amortization and related software support costs.

Occupancy expense for 2014 was $180.3 million, up 4% from $173.8 million in 2013. Occupancy expense in 2014 included charges totaling $4.3 million in connection with reductions in office space. Excluding these charges, occupancy expense increased 1% compared to 2013.

Other operating expense totaled $272.1 million in 2014, down 13% from $314.2 million in 2013. Other operating expense in 2013 included a $19.2 million legal settlement charge. The decrease in the "other" component of other operating expense primarily relates to lower charges associated with other account servicing activities in 2014.

Provision for Income Taxes

Provisions for income tax and effective tax rates are impacted by levels of pre-tax income, tax rates, and the impact of certain non-U.S. subsidiaries whose earnings are reinvested indefinitely outside the United States, as well as nonrecurring items such as the resolution of tax matters. The 2015 provision for income taxes was $491.2 million, representing an effective rate of 33.5%. This compares with a provision for income taxes of $378.4 million and an effective rate of 31.8% in 2014. The prior year includes a $9.5 million income tax benefit related to the decision to reinvest the pre-tax earnings of a foreign subsidiary indefinitely outside the United States.

The income tax provisions for 2015 and 2014 reflect reductions totaling $43.6 million and $43.0 million, respectively, related to certain non-U.S. subsidiaries whose earnings are being reinvested indefinitely outside of the United States. The 2013 income tax provision of $344.2 million represented an effective tax rate of 32.0%, and reflects reductions of $27.6 million related to non-U.S. subsidiaries whose earnings are being reinvested indefinitely outside the United States.

REPORTING SEGMENTS AND RELATED INFORMATION

Northern Trust is organized around its two client-focused reporting segments: C&IS and Wealth Management. Asset management and related services are provided to C&IS and Wealth Management clients primarily by the Asset Management business. The revenue and expenses of Asset Management and certain other support functions are allocated fully to C&IS and Wealth Management. Income and expense associated with the Corporation’s and the Bank’s wholesale funding activities and investment portfolios, as well as certain corporate-based expense, executive level compensation and nonrecurring items are not allocated to C&IS and Wealth Management, and are reported in Northern Trust’s third reporting segment, Treasury and Other, in the following pages.

C&IS and Wealth Management results are presented to promote a greater understanding of their financial performance. The information, presented on an internal management-reporting basis, is derived from internal accounting systems that support Northern Trust’s strategic objectives and management structure. Management has developed accounting systems to allocate revenue and expense related to each segment. These systems incorporate processes for allocating assets, liabilities and equity, and the applicable interest income and expense. Equity is allocated to the reporting segments based on a variety of factors including, but not limited to, risk, regulatory considerations, and internal metrics. Allocations of capital and certain corporate expense may not be representative of levels that would be required if the segments were independent entities. The accounting policies used for management reporting are consistent with those described in Note 1, “Summary of Significant Accounting Policies,” to the consolidated financial statements provided in Item 8, “Financial Statements and Supplementary Data.” Transfers of income and expense items are recorded at cost; there is no consolidated profit or loss on sales or transfers between reporting segments. Northern Trust’s presentations are not necessarily consistent with similar information for other financial institutions.

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TABLE 14: CONSOLIDATED FINANCIAL INFORMATION

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Noninterest Income					
Trust, Investment and Other Servicing Fees	$2,980.5	$2,832.8	$2,609.8	5 %	9 %
Foreign Exchange Trading Income	261.8	210.1	244.4	25	(14)
Other Noninterest Income	390.2	282.8	302.0	38	(6)
Net Interest Income (Note)	1,095.4	1,034.9	965.6	6	7
Revenue (Note)	4,727.9	4,360.6	4,121.8	8	6
Provision for Credit Losses	(43.0)	6.0	20.0	N/M	(70)
Noninterest Expense	3,280.6	3,135.0	2,993.8	5	5
Income before Income Taxes (Note)	1,490.3	1,219.6	1,108.0	22	10
Provision for Income Taxes (Note)	516.5	407.8	376.7	27	8
Net Income	$973.8	$811.8	$731.3	20 %	11 %
Average Assets	$110,715.1	$104,083.5	$94,857.7	6 %	10 %

Note: Stated on an FTE basis. The consolidated figures include $25.3 million, $29.4 million, and $32.5 million of FTE adjustments for 2015, 2014, and 2013, respectively.

Corporate & Institutional Services

C&IS is a leading global provider of asset servicing and related services to corporate and public retirement funds, foundations, endowments, fund managers, insurance companies, sovereign wealth funds, and other institutional investors around the globe. Asset servicing and related services encompass a full range of capabilities including but not limited to: global custody; fund administration; investment operations outsourcing; investment management; investment risk and analytical services; employee benefit services; securities lending; foreign exchange; treasury management; brokerage services; transition management services; banking and cash management. Client relationships are managed through the Bank and the Bank's and the Corporation's other subsidiaries, including support from locations in North America, Europe, the Middle East, and the Asia-Pacific region.

The following table summarizes the results of operations of C&IS for the years ended December 31, 2015, 2014, and 2013 on a management-reporting basis.

TABLE 15: C&IS RESULTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Noninterest Income					
Trust, Investment and Other Servicing Fees	$1,696.9	$1,584.0	$1,443.8	7 %	10 %
Foreign Exchange Trading Income	249.4	200.4	238.8	24	(16)
Other Noninterest Income	170.5	177.9	177.3	(4)	—
Net Interest Income (Note)	414.4	310.0	275.9	34	12

Revenue (Note)	2,531.2	2,272.3	2,135.8	11	6
Provision for Credit Losses	(22.6)	5.8	(3.4)	N/M	N/M
Noninterest Expense	1,856.4	1,732.8	1,657.9	7	5
Income before Income Taxes (Note)	697.4	533.7	481.3	31	11
Provision for Income Taxes (Note)	212.8	149.4	145.6	42	3
Net Income	$484.6	$384.3	$335.7	26%	14%
Percentage of Consolidated Net Income	50%	47%	46%		
Average Assets	$42,313.9	$59,462.9	$53,308.2	(29)%	12%

Note: Stated on an FTE basis.

The 26% increase in C&IS net income in 2015 primarily resulted from higher trust, investment and other servicing fees, net interest income, foreign exchange trading income and lower provision for credit losses, partially offset by higher noninterest expense. The 14% increase in C&IS net income in 2014 primarily reflected higher trust, investment and other servicing fees and net interest income, partially offset by lower foreign exchange trading income and higher noninterest expense. In addition, 2015 and 2014 C&IS net income included the income tax benefit related to Northern Trust's decision to reinvest the pre-tax earnings of a foreign subsidiary indefinitely outside the United States of $5.5 million and $9.5 million, respectively.

C&IS Trust, Investment and Other Servicing Fees

C&IS trust, investment and other servicing fees are primarily attributable to services related to custody, fund administration, investment management, and securities lending. Custody and fund administration fees are driven primarily by values of client assets under custody/administration, transaction volumes, and number of accounts. The asset values used to calculate these fees vary depending on the individual fee arrangements negotiated with each client. Custody fees related to asset values are client specific and are priced based on quarter-end or month-end values, values at the beginning of each quarter or average values for a month or quarter. The fund administration fees that are asset-value-related are priced using month-end, quarter-end, or average daily balances. Investment management fees, which are based generally on client assets under management, are based primarily on market values throughout a period.

Securities lending revenue is affected by market values; the demand for securities to be lent, which drives volumes; and the interest rate spread earned on the investment of cash deposited by investment firms as collateral for securities they have borrowed. The other services fee category in C&IS includes such products as benefit payments, investment risk and analytical services and other services. Revenue from these products is based generally on the volume of services provided or a fixed fee.

Provided below are the components of C&IS trust, investment and other servicing fees.

TABLE 16: C&IS TRUST, INVESTMENT AND OTHER SERVICING FEES

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Custody and Fund Administration	$1,150.8	$1,069.9	$948.9	8 %	13 %
Investment Management	325.2	305.7	295.6	6	3
Securities Lending	90.5	96.5	97.9	(6)	(1)
Other	130.4	111.9	101.4	17	10
Total Trust, Investment and Other Servicing Fees	$1,696.9	$1,584.0	$1,443.8	7 %	10 %

2015 C&IS TRUST, INVESTMENT, AND OTHER SERVICING FEES

n 68% Custody and Fund Administration

n 19% Investment Management

n 8% Other Services

n 5% Securities Lending

Custody and fund administration fees, the largest component of trust, investment and other servicing fees, increased $80.9 million, or 8%, primarily reflecting new business and favorable equity markets, partially offset by the unfavorable impact of movements in foreign exchange rates. Fees from investment management increased $19.5 million, or 6%, primarily due to lower money market mutual fund fee waivers. Money market mutual fund fee waivers in C&IS totaled $48.8 million and $63.2 million in 2015 and 2014, respectively. Securities lending revenue decreased 6% due to changes in fee arrangements. C&IS other trust, investment and servicing fees increased $18.5 million, or 17%, primarily related to higher sub-advisory fees. C&IS trust, investment, and other servicing fees totaled $1.58 billion in 2014, an increase of $140.2 million or 10%, from $1.44 billion in 2013, primarily due to increases in custody and fund administration fees driven by new business and the favorable impacts of equity markets and movements in foreign exchange rates.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Provided below is a breakdown of the C&IS assets under custody and under management.

TABLE 17: C&IS ASSETS UNDER CUSTODY

	DECEMBER 31,			CHANGE	
($ In Billions)	2015	2014	2013	2015 / 2014	2014 / 2013
North America	$2,999.0	$2,920.3	$2,705.4	3 %	8 %
Europe, Middle East, and Africa	1,971.1	1,939.3	1,823.4	2	6
Asia Pacific	492.0	477.3	448.6	3	6
Securities Lending	103.7	116.2	102.3	(11)	14
Total Assets Under Custody	$5,565.8	$5,453.1	$5,079.7	2 %	7 %

2015 C&IS ASSETS UNDER CUSTODY

n 54% North America

n 35% Europe, Middle East, and Africa

n 9% Asia Pacific

n 2% Securities Lending

TABLE 18: C&IS ASSETS UNDER MANAGEMENT

	DECEMBER 31,			CHANGE	
($ In Billions)	2015	2014	2013	2015 / 2014	2014 / 2013
North America	$410.4	$415.5	$382.2	(1)%	9 %
Europe, Middle East, and Africa	102.0	115.6	114.0	(12)	1
Asia Pacific	31.9	62.3	64.2	(49)	(3)
Securities Lending	103.7	116.2	102.3	(11)	14
Total Assets Under Management	$648.0	$709.6	$662.7	(9)%	7 %

2015 C&IS ASSETS UNDER MANAGEMENT

n 63% North America

n 16% Europe, Middle East, and Africa

n 5% Asia Pacific

n 16% Securities Lending

2015 C&IS ASSETS UNDER MANAGEMENT BY INVESTMENT TYPE

n 53% Equities

n 13% Fixed Income Securities

n 18% Cash and Other Assets

n 16% Securities Lending Collateral

C&IS assets under custody were $5.57 trillion at December 31, 2015, 2% higher than $5.45 trillion at December 31, 2014. Assets under management decreased 9% to $648.0 billion at December 31, 2015, from $709.6 billion at December 31, 2014. Cash and other assets deposited by investment firms as collateral for securities borrowed from custody clients are managed by Northern Trust and are included in assets under custody and under management. This securities lending collateral totaled $103.7 billion and $116.2 billion at December 31, 2015 and 2014, respectively.

C&IS Foreign Exchange Trading Income

Foreign exchange trading income totaled $249.4 million in 2015, a $49.0 million, or 24%, increase from $200.4 million in 2014. The increase is attributable to higher currency market volatility and trading volumes in the current year. Foreign exchange trading income in 2014 of $200.4 million decreased $38.4 million, or 16%, from $238.8 million in 2013, due to lower currency market volatility and trading volumes as compared to 2013.

C&IS Other Noninterest Income

Other noninterest income for 2015 totaled $170.5 million, down $7.4 million, or 4%, from $177.9 million in 2014, primarily due to decreases within various categories of other operating income, partially offset by higher security commissions and trading income. Other income in 2015 includes a $25.9 million net gain on the sale of certain loans and leases, offset by a $27.0 million fair value adjustment on leases classified as held for sale as of December 31, 2015, each of which is related to the decision to exit a portion of a non-strategic loan and lease portfolio. Other noninterest income in 2013 of $177.3 million included a $6.6 million reduction in connection with the write-off of certain fee receivables.

C&IS Net Interest Income

Net interest income increased $104.4 million, or 34%, in 2015 to $414.4 million from $310.0 million in 2014. The increase in net interest income was attributable to an increase in the net interest margin, partially offset by lower levels of average earning assets. The changes to both the net interest margin and average earning assets compared to the prior-year period were partially due to a change in presentation, as certain assets were transferred to the Treasury and Other segment in the first quarter of 2015 and the related internal funds pricing method was updated. Also impacting the net interest income in 2015 was a $17.8 million impairment of the residual value of certain aircraft under leveraged lease agreements. As a result, the net interest margin increased to 1.16% from 0.58% in the prior year, while average earning assets totaled $35.7 billion, a decrease of $17.3 billion, or 33%, from $53.0 billion in the prior year. The earning assets that remain consist primarily of loans and leases and intercompany assets. Funding sources were primarily comprised of non-U.S. custody-related interest-bearing deposits, which averaged $46.0 billion in 2015, up from $45.5 billion in 2014. Net interest income increased $34.1 million, or 12%, in 2014 to $310.0 million from $275.9 million in 2013, due to higher levels of average earning assets, partially offset by a decline in the net interest margin.

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C&IS Provision for Credit Losses
The provision for credit losses in 2015 was a credit of $22.6 million, primarily reflecting improved credit quality across the portfolio coupled with the adoption of a change in estimation methodology for inherent losses. The change in methodology resulted in a decrease in the estimate for the allowance for credit losses for the commercial and institutional loan portfolio, partially offset by an increase in the allowance for undrawn loan commitments and standby letters of credit. The provision for credit losses was $5.8 million for 2014, primarily reflecting allowances established as a result of higher commercial and institutional loan volumes, partially offset by continued improvement in the credit quality of commercial and institutional loans. The provision for credit losses in 2013 was a credit of $3.4 million, reflecting improvement in loan portfolio credit quality as compared to the preceding year. For further discussion of the allowance and provision for credit losses refer to the “Asset Quality” section.

C&IS Noninterest Expense
Total C&IS noninterest expense, which includes the direct expense of the reporting segment, indirect expense allocations for product and operating support, and indirect expense allocations for certain corporate support services, totaled $1.86 billion in 2015, an increase of $123.6 million, or 7%, from $1.73 billion in 2014. The increase was due to higher indirect expense allocations, primarily attributable to $36.6 million of the charge related to voluntary cash contributions to certain constant dollar NAV funds allocated to C&IS, as well as higher outside services and compensation expense in 2015. Noninterest expense for 2014 increased $74.9 million, or 5%, from $1.66 billion in 2013. Results for 2014 included $24.8 million of charges relating to severance activities and reductions in office space and write-offs of replaced or eliminated software, while the 2013 results included a $19.2 million legal settlement charge.

Wealth Management
Wealth Management focuses on high-net-worth individuals and families, business owners, executives, professionals, retirees, and established privately-held businesses in its target markets. The business also includes the Global Family Office, which provides customized 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. In supporting these targeted segments, Wealth Management provides trust, investment management, custody, and philanthropic services; financial consulting; guardianship and estate administration; family business consulting; family financial education; brokerage services; and private and business banking. Wealth Management is one of the largest providers of advisory services in the United States with $506.3 billion of assets under custody and $227.3 billion of assets under management at December 31, 2015. Wealth Management services are delivered by multidisciplinary teams through a network of offices in 18 U.S. states and Washington, D.C., as well as offices in London, Guernsey, and Abu Dhabi.
The following table summarizes the results of operations of Wealth Management for the years ended December 31, 2015, 2014, and 2013 on a management-reporting basis.

TABLE 19: WEALTH MANAGEMENT RESULTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Noninterest Income					
Trust, Investment and Other Servicing Fees	$1,283.6	$1,248.8	$1,166.0	3 %	7 %
Foreign Exchange Trading Income	12.4	9.7	5.6	28	73
Other Noninterest Income	111.8	98.3	116.7	14	(16)
Net Interest Income (Note)	568.1	536.1	557.7	6	(4)

Revenue (Note)	1,975.9	1,892.9	1,846.0	4	3
Provision for Credit Losses	(20.4)	0.2	23.4	N/M	(99)
Noninterest Expense	1,291.9	1,268.7	1,215.0	2	4
Income before Income Taxes (Note)	704.4	624.0	607.6	13	3
Provision for Income Taxes (Note)	264.7	234.8	229.2	13	2
Net Income	$439.7	$389.2	$378.4	13 %	3 %
Percentage of Consolidated Net Income	45 %	48 %	52 %		
Average Assets	$25,048.7	$23,629.3	$22,887.6	6 %	3 %

Note: Stated on an FTE basis.

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Wealth Management net income increased 13% in 2015, primarily reflecting higher trust, investment and other servicing fees, net interest income and lower provision for credit losses, partially offset higher noninterest expense. The 3% increase in Wealth Management net income in 2014 from 2013 is primarily attributable to increased trust, investment and other servicing fees, partially offset by lower other noninterest and net interest income and higher noninterest expense.

Wealth Management Trust, Investment and Other Servicing Fees

Provided below is a summary of Wealth Management trust, investment and other servicing fees and assets under custody and under management.

TABLE 20: WEALTH MANAGEMENT TRUST, INVESTMENT AND OTHER SERVICING FEES

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Central	$514.3	$509.1	$470.0	1 %	8 %
East	332.7	325.3	303.4	2	7
West	267.7	262.5	241.5	2	9
Global Family Office	168.9	151.9	151.1	11	1
Total Trust, Investment and Other Servicing Fees	$1,283.6	$1,248.8	$1,166.0	3 %	7 %

2015 WEALTH MANAGEMENT FEES

- n 40% Central
- n 26% East
- n 21% West
- n 13% Global Family Office

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE 21: WEALTH MANAGEMENT ASSETS UNDER CUSTODY

	DECEMBER 31,			CHANGE	
($ In Billions)	2015	2014	2013	2015 / 2014	2014 / 2013
Global Family Office	$321.4	$324.0	$314.9	(1)%	3%
Central	79.5	85.7	79.4	(7)	8
East	58.5	58.5	57.3	—	2
West	46.9	47.5	44.4	(1)	7
Total Assets Under Custody	$506.3	$515.7	$496.0	(2)%	4%

2015 WEALTH MANAGEMENT ASSETS UNDER CUSTODY

n 63% Global Family Office

n 16% Central

n 12% East

n 9% West

TABLE 22: WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT

	DECEMBER 31,			CHANGE	
($ In Billions)	2015	2014	2013	2015 / 2014	2014 / 2013
Central	$81.8	$83.4	$86.2	(2)%	(3)%
Global Family Office	61.9	57.0	53.9	9	6
East	47.4	47.4	47.2	—	—
West	36.2	36.7	34.5	(1)	6
Total Assets Under Management	$227.3	$224.5	$221.8	1%	1%

2015 WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT

n 36% Central

n 27% Global Family Office

n 21% East

n 16% West

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2015 WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT BY INVESTMENT TYPE

n 46% Equities

n 28% Fixed Income Securities

n 26% Cash and Other Assets

The Wealth Management regions shown above are comprised of the following: Central includes Illinois, Michigan, Minnesota, Missouri, Ohio and Wisconsin; East includes Connecticut, Delaware, Florida, Georgia, Massachusetts, New York and Washington, D.C.; West includes Arizona, California, Colorado, Nevada, Texas and Washington. Global Family Office provides specialized asset management, investment consulting, global custody, fiduciary, and private banking services to ultra-wealthy domestic and international clients.

Wealth Management fee income is calculated primarily based on market values. Wealth Management trust, investment and other servicing fees were $1.28 billion in 2015, up $34.8 million, or 3%, from $1.25 billion in 2014, which in turn was up $82.8 million, or 7%, from $1.17 billion in 2013. The results in 2015 benefited from new business, higher equity markets and lower money market mutual fund fee waivers. Wealth Management money market mutual fund fee waivers totaled $60.4 million and $66.6 million in 2015 and 2014, respectively. The 7% increase in trust, investment and other servicing fees in 2014 compared to 2013 was attributable to higher equity markets and new business, partially offset by higher money market mutual fund fee waivers.

At December 31, 2015, assets under custody in Wealth Management were $506.3 billion compared with $515.7 billion at December 31, 2014. Assets under management were $227.3 billion at December 31, 2015 compared to $224.5 billion at the previous year end.

Wealth Management Foreign Exchange Trading Income

Foreign exchange trading income totaled $12.4 million in 2015, $9.7 million in 2014 and $5.6 million in 2013, primarily reflecting increased client activity.

Wealth Management Other Noninterest Income

Other noninterest income for 2015 totaled $111.8 million, an increase of $13.5 million, or 14%, from $98.3 million in 2014, primarily reflecting higher security commissions and trading income and increases within various categories of other operating income. Other noninterest income in 2014 increased $18.4 million, or 16%, as compared to 2013. Noninterest income in 2013 included the $32.6 million pre-tax gain on the sale of an office building property and a $5.8 million reduction in connection with the write-off of certain fee receivables.

Wealth Management Net Interest Income

Net interest income was $568.1 million for 2015, up $32.0 million, or 6%, from $536.1 million in 2014, primarily reflecting higher levels of average earning assets, partially offset by a decline in the net interest margin. The Wealth Management net interest margin in 2015 decreased to 2.29% from 2.32% in 2014, resulting from lower yields on earning assets, partially offset by a lower cost of interest-related funds. Average earning assets totaled $24.8 billion in the current year, a 7% increase from $23.1 billion in the prior year. Net interest income in 2014 declined $21.6 million, or 4%, from 2013 and the net interest margin in 2014 of 2.32% was down from the 2013 margin of 2.46%. The lower net interest margin in 2014 as compared to 2013 was attributable to lower yields on earning assets, partially offset by lower deposit rates. Earning assets and funding sources in 2015, 2014 and 2013 were primarily comprised of loans and domestic interest-bearing deposits.

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Wealth Management Provision for Credit Losses
The provision for credit losses was a credit of $20.4 million for 2015, compared with a provision of $0.2 million in 2014, and $23.4 million in 2013. The 2015 provision primarily reflected improved credit quality of commercial real estate and residential real estate loan classes coupled with the adoption of a change in estimation methodology for inherent losses. The 2014 provision reflected improvement in the credit quality of the commercial and institutional and commercial real estate loan classes as compared to 2013. For further discussion of the allowance and provision for credit losses refer to the “Asset Quality” section.

Wealth Management Noninterest Expense
Total noninterest expense, which includes the direct expense of the reporting segment, indirect expense allocations for product and operating support, and indirect expense allocations for certain corporate support services, totaled $1.29 billion in 2015, an increase of $23.2 million, or 2%, from $1.27 billion in the prior year. The increase primarily reflected higher indirect allocations, primarily attributable to $9.2 million of the charge related to voluntary cash contributions to certain constant dollar NAV funds allocated to Wealth Management, as well as increased employee benefits expense, partially offset by lower expense for outside services. Noninterest expense in 2014 included $18.1 million of charges relating to severance activities and reductions in office space and write-offs of replaced or eliminated software.

Treasury and Other
Treasury and Other includes income and expense associated with the wholesale funding activities and the investment portfolios of the Corporation and the Bank. Treasury and Other also includes certain corporate-based expense, executive level compensation and nonrecurring items not allocated to the reporting segments.
The following table summarizes the results of operations of Treasury and Other for the years ended December 31, 2015, 2014, and 2013 on a management-reporting basis.

TABLE 23: TREASURY AND OTHER RESULTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31,			CHANGE	
($ In Millions)	2015	2014	2013	2015 / 2014	2014 / 2013
Noninterest Income	$107.9	$6.6	$8.0	N/M	(17)%
Net Interest Income (Note)	112.9	188.8	132.0	(40)	43
Revenue (Note)	220.8	195.4	140.0	13	40
Noninterest Expense	132.3	133.5	120.9	(1)	10
Income before Income Taxes (Note)	88.5	61.9	19.1	43	224
Provision for Income Taxes (Note)	39.0	23.6	1.9	65	N/M
Net Income	$49.5	$38.3	$17.2	29%	123%
Percentage of Consolidated Net Income	5%	5%	2%		
Average Assets	$43,352.5	$20,991.3	$18,661.9	107%	12%

Note: Stated on an FTE basis.

Treasury and Other noninterest income in 2015 was $107.9 million compared to $6.6 million in 2014. The increase reflects the $99.9 million gain on the sale of 1.0 million Visa Class B common shares recognized by the Corporation during 2015. Excluding the gain, Treasury and Other noninterest income increased slightly compared to 2014. Noninterest income in 2014 decreased 17% from 2013, and included $4.2 million of OTTI charges related to certain CRA-eligible securities.

Treasury and Other net interest income in 2015 was $112.9 million, down $75.9 million, or 40%, from $188.8 million in 2014. The decrease reflected a decline in the net interest margin, partially offset by higher levels of earning assets. The changes to both the net interest margin and average earning assets versus prior year are partially due to a change in presentation, as certain assets were transferred to Treasury and Other from C&IS in the first quarter of 2015 and the related internal funds pricing method was updated. Average earning assets in 2015 increased $22.0 billion to $41.8 billion from $19.8 billion in the prior year. Net interest income in 2014 increased 43% from 2013, reflecting higher internal yields on funds provided to reporting segments in 2014.

Treasury and Other noninterest expense in 2015 equaled $132.3 million, down slightly from $133.5 million in 2014. The 2014 expense included $4.6 million of severance-related charges. Excluding these charges, the $3.4 million, or 3%, increase is primarily attributable to higher general overhead costs, partially offset by higher indirect expense allocations to C&IS and Wealth Management.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Asset Management

Asset Management, through the Corporation's various subsidiaries, supports the C&IS and Wealth Management reporting segments by providing a broad range of asset management and related services and other products to clients around the world. Investment solutions are delivered through 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. Asset Management's capabilities include active, passive and engineered equity; active and passive fixed income; cash management; alternative asset classes (such as private equity and hedge funds of funds); and multi-manager advisory services and products. Asset Management's activities also include overlay services and other risk management services. Asset Management operates internationally through subsidiaries and distribution arrangements and its revenue and expense are allocated fully to C&IS and Wealth Management.

At December 31, 2015, Northern Trust managed $875.3 billion in assets for personal and institutional clients, including $648.0 billion for C&IS clients and $227.3 billion for Wealth Management clients. The following table presents consolidated assets under management as of December 31, 2015, 2014 and 2013 by investment type.

TABLE 24: CONSOLIDATED ASSETS UNDER MANAGEMENT BY INVESTMENT TYPE

	DECEMBER 31,			CHANGE	
($ In Billions)	2015	2014	2013	2015 / 2014	2014 / 2013
Equities	$446.6	$485.7	$477.2	(8)%	2%
Fixed Income Securities	147.1	162.2	146.7	(9)	11
Cash and Other Assets	177.7	169.9	158.2	5	7
Securities Lending Collateral	103.9	116.3	102.4	(11)	14
Total Assets under Management	$875.3	$934.1	$884.5	(6)%	6%

Assets under management decreased $58.8 billion, or 6%, from $934.1 billion at year-end 2014. The decrease primarily reflected net outflows, including equity outflows from certain sovereign wealth fund clients and a significant outflow from one fixed income mandate, coupled with the unfavorable impact from equity markets and foreign currency translation. The following table presents activity in consolidated assets under management by investment type during the year-ended December 31, 2015.

TABLE 25: ACTIVITY IN CONSOLIDATED ASSETS UNDER MANAGEMENT BY INVESTMENT TYPE

($ In Billions)	
Balance as of December 31, 2014	$934.1
Inflows by Investment Type	
Equity	116.2
Fixed Income	41.7
Cash & Other Assets	281.0
Securities Lending Collateral	28.8
Total Inflows	467.7
Outflows by Investment Type	
Equity	(143.0)
Fixed Income	(54.6)
Cash & Other Assets	(273.3)
Securities Lending Collateral	(41.2)

Total Outflows	(512.1)
Net Outflows	(44.4)
Market Performance, Currency & Other	(14.4)
Balance as of December 31, 2015	$875.3

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ASSET QUALITY
Securities Portfolio
The following table presents the book values of Northern Trust's held to maturity and available for sale investment securities by type as of December 31, 2015, 2014 and 2013.

TABLE 26: SECURITIES HELD TO MATURITY AND AVAILABLE FOR SALE

	DECEMBER 31,		
($ In Millions)	2015	2014	2013
Securities Held to Maturity			
U.S. Government	$26.0	$—	$—
Obligations of States and Political Subdivisions	89.2	121.9	225.2
Government Sponsored Agency	9.9	18.4	35.9
Other	5,123.2	4,030.5	2,064.7
Total Securities Held to Maturity	$5,248.3	$4,170.8	$2,325.8
Securities Available for Sale			
U.S. Government	$6,178.3	$4,506.9	$1,917.9
Obligations of States and Political Subdivisions	36.4	4.6	4.6
Government Sponsored Agency	16,366.8	16,389.2	17,528.0
Asset-Backed	2,500.1	2,327.7	2,439.9
Auction Rate	17.1	18.1	98.9
Other	7,219.2	6,312.0	6,403.5
Total Securities Available for Sale	$32,317.9	$29,558.5	$28,392.8
Average Total Securities	$37,407.9	$33,445.9	$30,819.9
Total Securities at Year-End	$37,567.4	$33,734.0	$30,720.3

Northern Trust maintains a high quality securities portfolio, with 88% of the combined available for sale, held to maturity, and trading account portfolios at December 31, 2015 composed of U.S. Treasury and government sponsored agency securities and triple-A rated corporate notes, covered bonds, asset-backed securities, sub-sovereign, supranational, sovereign & non-U.S. agency bonds, auction rate securities, commercial mortgage-backed and obligations of states and political subdivisions. The remainder of the portfolio was composed of corporate notes, asset-backed securities, negotiable certificates of deposit, obligations of states and political subdivisions, auction rate securities and other securities, of which as a percentage of the total securities portfolio, 7% were rated double-A, 3% were rated below double-A, and 2% were not rated by Standard and Poor's or Moody's Investors Service (primarily negotiable certificates of deposits of banks whose long term ratings are at least A).
At December 31, 2015, 36% of corporate debt was rated triple-A, 29% was rated double-A, and 35% was rated below double-A. Securities classified as "other asset-backed" at December 31, 2015 had average lives of less than 5 years, and 100% were rated triple-A.
Unrealized losses within the investment securities portfolio at December 31, 2015 were $140.5 million as compared to $87.6 million at December 31, 2014, primarily reflecting widened credit spreads and higher market rates since purchase; 35% of the corporate debt portfolio is backed by guarantees provided by U.S. and non-U.S. governmental entities. There were $4.2 million of losses recognized in 2014 in connection with the write-down of securities determined to be OTTI. There were no OTTI losses recognized in 2015 or 2013.
Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted for as collateralized financings and recorded at the amounts at which the securities were acquired or sold plus accrued interest. To minimize any potential credit risk associated with these transactions, the fair value of the securities purchased or sold is monitored, limits are set on exposure with counterparties, and the financial condition of

counterparties is regularly assessed. It is Northern Trust's policy to take possession, either directly or via third party custodians, of securities purchased under agreements to resell. Securities sold under agreements to repurchase are held by the counterparty until the repurchase.

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Loans and Leases

The following table presents the amounts outstanding of loans and leases by segment and class as of December 31, 2015 and the preceding four year-ends.

TABLE 27: COMPOSITION OF LOAN PORTFOLIO

	DECEMBER 31,				
($ In Millions)	2015	2014	2013	2012	2011
Commercial					
Commercial and Institutional	$9,431.5	$8,381.9	$7,375.8	$7,468.5	$6,918.7
Commercial Real Estate	3,848.8	3,333.3	2,955.8	2,859.8	2,981.7
Lease Financing, net	544.4	916.3	975.1	1,035.0	978.8
Non-U.S.	1,137.7	1,530.6	954.7	1,192.3	1,057.5
Other	194.1	191.5	358.6	341.6	417.6
Total Commercial	$15,156.5	$14,353.6	$12,620.0	$12,897.2	$12,354.3
Personal					
Residential Real Estate	$8,850.7	$9,782.6	$10,271.3	$10,375.2	$10,708.9
Private Client	9,136.4	7,466.9	6,445.6	6,130.1	5,651.4
Other	37.3	37.1	48.6	102.0	349.3
Total Personal	$18,024.4	$17,286.6	$16,765.5	$16,607.3	$16,709.6
Total Loans and Leases	$33,180.9	$31,640.2	$29,385.5	$29,504.5	$29,063.9

Residential Real Estate

The residential real estate loan portfolio is primarily composed of mortgages and home equity credit lines provided as an accommodation to clients. Residential real estate loans totaled $8.9 billion at December 31, 2015, or 28% of total U.S. loans, compared with $9.8 billion, or 32% of total U.S. loans, at December 31, 2014. All residential real estate loans are underwritten utilizing Northern Trust's credit policies, which do not support the origination of loan types generally considered to be of high risk in nature, such as option ARM loans, subprime loans, loans with initial "teaser" rates, and loans with excessively high loan-to-value ratios. Residential real estate loans consist of traditional first lien mortgages and equity credit lines that generally require a loan-to-collateral value of no more than 65% to 75% at inception. Revaluations of supporting collateral for residential real estate loans are obtained upon refinancing or default or when otherwise considered warranted. Residential real estate collateral revaluations are performed by independent third parties.

Of the total $8.9 billion in residential real estate loans at December 31, 2015, $2.3 billion were in Florida, $2.0 billion were in the greater Chicago area, and $1.5 billion were in California, with the remainder distributed throughout the other geographic regions within the United States served by Northern Trust. Legally binding commitments to extend residential real estate credit, which are primarily equity credit lines, totaled $1.4 billion and $1.6 billion at December 31, 2015 and 2014, respectively.

Commercial Real Estate

In managing its credit exposure, management has defined a commercial real estate loan as one where: (1) the borrower's principal business activity is the acquisition or the development of real estate for commercial purposes; (2) the principal collateral is real estate held for commercial purposes, and loan repayment is expected to flow from the operation of the property; or (3) the loan repayment is expected to flow from the sale or refinance of real estate as a normal and ongoing part of the business. Unsecured lines of credit to firms or individuals engaged in commercial real estate endeavors are included without regard to the use of loan proceeds. The commercial real estate portfolio consists of commercial mortgages and construction, acquisition and development loans extended primarily to highly experienced developers and/or investors well known to Northern Trust. Underwriting standards generally reflect conservative loan-to-value ratios and debt service coverage requirements. Recourse to borrowers through guarantees also is commonly required.

Commercial mortgage financing is provided for the acquisition or refinancing of income-producing properties. Cash flows from the properties generally are sufficient to amortize the loan. These loans are primarily located in the Illinois, Florida, California, Texas, and Arizona markets. Construction, acquisition and development loans provide financing for commercial real estate prior to rental income stabilization. The intent is generally that the borrower will sell the project or refinance the loan through a commercial mortgage with Northern Trust or another financial institution upon completion.

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The table below provides additional detail regarding commercial real estate loan types:

TABLE 28: COMMERCIAL REAL ESTATE LOANS

	DECEMBER 31,	
($ In Millions)	2015	2014
Commercial Mortgages:		
Apartment/Multi-family	$ 770.1	$ 728.7
Office	830.4	735.5
Retail	683.3	854.1
Industrial / Warehouse	310.5	323.7
Other	442.3	125.7
Total Commercial Mortgages	3,036.6	2,767.7
Construction, Acquisition and Development Loans	392.8	256.8
Single Family Investment	147.4	121.3
Other Commercial Real Estate Related	272.0	187.5
Total Commercial Real Estate Loans	$ 3,848.8	$ 3,333.3

At December 31, 2015, legally binding commitments to extend credit and standby letters of credit to commercial real estate borrowers totaled $750.9 million and $26.6 million, respectively. At December 31, 2014, legally binding commitments and standby letters of credit totaled $556.1 million and $110.7 million, respectively.

Nonperforming Assets and 90 Days Past Due Loans

Nonperforming assets consist of nonperforming loans and leases and other real estate owned (OREO). OREO is comprised of commercial and residential properties acquired in partial or total satisfaction of loans. Loans that are delinquent 90 days or more and still accruing interest can fluctuate widely at any reporting period based on the timing of cash collections, renegotiations and renewals. The following table presents nonperforming assets and loans that were delinquent 90 days or more and still accruing at December 31, 2015 and each of the prior four year-ends.

TABLE 29: NONPERFORMING ASSETS

	DECEMBER 31,				
($ In Millions)	2015	2014	2013	2012	2011
Nonperforming Loans and Leases					
Commercial					
Commercial and Institutional	$42.9	$15.0	$23.1	$21.6	$31.3
Commercial Real Estate	16.7	37.1	49.2	56.4	79.5
Total Commercial	59.6	52.1	72.3	78.0	110.8
Personal					
Residential Real Estate	$120.1	$162.4	$189.1	$174.6	$177.6
Private Client	0.4	1.2	1.4	2.2	5.3
Total Personal	120.5	163.6	190.5	176.8	182.9
Total Nonperforming Loans and Leases	180.1	215.7	262.8	254.8	293.7
Other Real Estate Owned	8.2	16.6	11.9	20.3	21.2
Total Nonperforming Assets	$188.3	$232.3	$274.7	$275.1	$314.9
90 Day Past Due Loans Still Accruing	$7.1	$22.7	$16.4	$19.0	$13.1
Nonperforming Loans and Leases to Total Loans and Leases	0.54 %	0.68 %	0.89 %	0.86 %	1.01 %

Allowance for Credit Losses Assigned to Loans and Leases to Nonperforming Loans and Leases	1.1x	1.2x	1.1x	1.2x	1.0x

Nonperforming assets of $188.3 million as of December 31, 2015, decreased $44.0 million, or 19%, reflecting improved credit quality across the portfolio. The December 31, 2015 loan portfolio reflected a reclassification of a non-performing loan from the residential real estate loan class to the commercial and institutional loan class due to a change in the obligor as a result of restructuring the loan. In addition to the negative impact on net interest income and the risk of credit losses, nonperforming assets also increase operating costs due to the expense associated with collection efforts. Changes in the level of nonperforming assets may be indicative of changes in the credit quality of one or more loan classes. Changes in credit quality impact the allowance for credit losses through the resultant adjustment of the specific allowance and of the qualitative factors used in the determination of the inherent allowance levels within the allowance for credit losses.

Allowance and Provision for Credit Losses

TABLE 30: CHANGES IN THE ALLOWANCE FOR CREDIT LOSSES

($ In Millions)	2015	2014	2013
Balance at January 1	$295.9	$307.9	$327.6
Charge-Offs	(30.7)	(36.1)	(59.3)
Recoveries	11.2	18.1	19.6
Net Charge-Offs	(19.5)	(18.0)	(39.7)
Provision for Credit Losses	(43.0)	6.0	20.0
Effects of Foreign Exchange Rates	(0.1)	—	—
Balance at December 31	$233.3	$295.9	$307.9

The provision for credit losses is the charge to current period earnings that is determined by management, through a disciplined credit review process, to be the amount needed to maintain the allowance for credit losses at an appropriate level to absorb probable credit losses that have been identified with specific borrower relationships (specific loss component) and for probable losses that are believed to be inherent in the loan and lease portfolios, undrawn commitments, and standby letters of credit (inherent loss component).

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table shows the specific portion of the allowance and the allocated inherent portion of the allowance and its components by loan category at December 31, 2015, and at each of the prior four year-ends.

TABLE 31: ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	DECEMBER 31,									
	2015		2014		2013		2012		2011	
($ In Millions)	ALLOWANCE AMOUNT	PERCENT OF LOANS TO TOTAL LOANS	ALLOWANCE AMOUNT	PERCENT OF LOANS TO TOTAL LOANS	ALLOWANCE AMOUNT	PERCENT OF LOANS TO TOTAL LOANS	ALLOWANCE AMOUNT	PERCENT OF LOANS TO TOTAL LOANS	ALLOWANCE AMOUNT	PERCENT OF LOANS TO TOTAL LOANS
Specific Allowance	$3.1	— %	$21.1	— %	$24.9	— %	$32.5	— %	$47.3	— %
Allocated Inherent Allowance										
Commercial										
Commercial and Institutional	40.4	28	73.0	26	67.5	25	79.2	25	90.0	24
Commercial Real Estate	69.5	12	69.4	10						