NORTHERN TRUST CORPORATION

MARKET RISK DISCLOSURES

For the Quarter Ended June 30, 2013

Effective January 1, 2013, Northern Trust Corporation (Northern Trust) adopted revised risk based capital guidelines for market risk commonly referred to as Basel II.5 (the Market Risk Rule), issued jointly by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation. The Market Risk Rule requires Northern Trust to publicly disclose, for each material portfolio of covered positions, certain quantitative and qualitative information. Quantitative disclosures include the following period-end risk measures:

- Value-at-Risk or VaR based measures,
- Stressed VaR based measures,
- Incremental Risk Capital requirements, and
- Comprehensive Risk Measure requirements

Qualitative disclosures include the composition of material covered portfolios, Northern Trust's valuation policies, procedures, and methodologies, and the characteristics of the internal models in use. All information provided below is at a consolidated Northern Trust level.

Foreign Exchange Trading Activities

Positions covered under market risk regulations arise from Northern Trust's foreign exchange (FX) trading, which consist principally of providing foreign exchange services to clients. Most of those services are provided in connection with Northern Trust's global custody business. The primary market risk associated with global foreign exchange trading activities is foreign exchange risk.

Foreign currency trading positions exist when aggregate obligations to purchase and sell a currency other than the U.S. dollar either do not offset each other fully in amount or offset each other over different time periods.

The foreign exchange trading portfolio at Northern Trust is comprised of spot, forward, and non-deliverable forward currency transactions. The portfolio holds no futures, options, or structured derivatives. As of June 30, 2013, approximately 99% of FX forward contracts were to mature in less than 12 months and the average maturity of outstanding contracts was less than 57 days.

The bank trades in 59 different currencies. In response to changes in liquidity, client demand, and the economic, political and regulatory environment of each currency's domicile, currencies may be dropped from or added to the tradable list and position limits may be revised.

Other Nonmaterial Trading Activities

Market risk associated with other trading activities is negligible. Northern Trust's broker-dealer, Northern Trust Securities Inc. (NTSI), maintains a small portfolio of trading securities held for customer accommodation purposes which averaged $10.5 million for the quarter ended June 30, 2013.

Northern Trust is also party to interest rate derivatives (IRD) contracts consisting mostly of interest rate swaps entered into to meet clients' interest rate risk management needs, but also including a small number of caps, floors, and swaptions. All IRD transactions are executed by Northern Trust's Treasury Department. When Northern Trust enters into client transactions, its practice is to mitigate the resulting market risk with offsetting interbank derivative transactions with matching terms and maturities.

Valuation Practices

Values of foreign exchange spot and forward positions and of securities held by NTSI are updated directly from observable market prices. For IRDs, Northern Trust updates interest rates daily through automated data feeds from established data vendors. Rates and prices are fed into standard pricing models to determine valuations of positions.

Value at Risk and Required Capital

The table below presents levels of Value at Risk (VaR) and the VaR component of required capital for foreign exchange (FX), for the quarter ended June 30, 2013. VaR is shown at the 99% confidence level, at a one day horizon, and with volatilities equally weighted over a one year look back period.

	Value at Risk, 99% 1-day	VaR Component of Required Capital
High	$899,782	$5,829,066
Low	$139,597	$4,123,599
Average	$471,918	$5,163,625
Quarter End	$289,658	$5,743,722

Stressed VaR measures

The table below presents levels of Stressed Value at Risk (SVaR) for FX based on the same assumptions and inputs as above but replaying the severe one year financial crises period of August 2008 to August 2009.

	Stressed Value at Risk, 99% 1-day	SVaR Component of Required Capital
High	$1,880,337	$13,631,284
Low	$267,762	$10,334,171
Average	$1,093,037	$12,493,955
Quarter End	$644,650	$13,247,128

The VaR and SVaR totals indicate the degree of risk inherent in non-U.S. currency positions during the most recent quarters; however, they are not predictive of expected gain or loss. Actual future gains or losses are dependent on market conditions and the size and duration of future non-U.S. currency positions.

Comparison with Actual Outcomes

During the quarter ended June 30, 2013, Northern Trust realized no actual daily trading losses. In addition to comparing actual gains or losses to VaR, Northern Trust also compares hypothetical gains or losses to VaR. Hypothetical gains or losses are computed by assuming the previous day's closing positions remain unchanged for the entire following day, updating market prices, and recomputing the portfolio's valuation. During the quarter ended June 30, 2013, Northern Trust experienced one day for which the computed hypothetical loss would have been greater than indicated by the VaR-based estimate.

Characteristics of VaR Models

Foreign Exchange VaR Modeling. As part of its risk management activities, Northern Trust measures daily the risk of loss associated with all non-U.S. currency positions using a VaR model. This statistical model provides estimates, based on a variety of high confidence levels, of the potential loss in value that might be incurred if an adverse shift in non-U.S. currency exchange rates were to occur over a small number of days. The model, which is based on a variance/covariance methodology and daily historical data over at least the past year, incorporates foreign exchange and interest rate volatilities and correlations in price movement among the currencies.

The FX VaR measures are computed in a vended software application which reads foreign exchange positions directly from Northern Trust's trading systems each day. Data vendors provide foreign exchange rates and interest rates for all currencies. The Corporate Market Risk unit monitors on a daily basis VaR model inputs and outputs for reasonableness.

VaR Variations. Management monitors several variations of the FX VaR measures to meet specific regulatory and internal management needs. Variations include different methodologies (variance-covariance, historical, and Monte Carlo), equally-weighted and exponentially-weighted volatilities, horizons of one day and ten days, confidence levels ranging from 95% to 99.95%, and look back periods of one year and four years. Those alternative measures provide management a rich array of alternative risk metrics, offering corroborating measures and useful perspectives on the bank's market risks.

VaR Reporting. Automated daily reports are produced and distributed to business unit managers and risk managers. The Corporate Market Risk unit also reviews and reports several variations of the VaR measures in historical time series format to provide management with an historical perspective on risk.

Risk Model Validation

Northern Trust has established a Model Risk Management Program (the Program) to provide governance and oversight in the identification and management of model risk throughout the organization. The Operational Risk Committee (ORC) is responsible for reviewing and approving the Program. The Model Risk Management Group has responsibility for administering the Program, including the independent model validation process. In general, the same standard of care applies to both internally-developed and external vendor developed models.

Model validation is an ongoing independent process overseen by the Measurement and Modeling Oversight Committee. Any model that falls within the scope of the Program is assigned a tier by the model owner and affirmed by the Model Risk Management Group (Tier 1, 2, or 3, reflecting high, medium, and low risk, respectively) that is reflective of the impact and significance of the model output in its business use and the inherent risk to Northern Trust. The Model Risk Management Group provides an independent validation of the inputs, computational rules and outputs that comprise the model itself and independently validates all Tier 1 and proprietary Tier 2 models prior to their use and independently assesses all Tier 3 models and 3rd party vended Tier 2 models. The Model Risk Management Group also performs periodic validations of existing models that reviews significant changes to models and tests model performance based on the model Tier.

Description of Stress Tests

Management monitors stress test results on an ongoing basis to assess the potential for exceeding Northern Trust's base economic capital value described below. Should the results of a stress test exceed the base economic capital value, Northern Trust management would consider that information in assessing its capital adequacy.

Northern Trust runs a battery of stress tests on the foreign exchange portfolio, including quadrupling volatility, measuring at an extreme number of standard deviations (six sigmas), stressing correlations to extremes, taking tail averages (conditional VaR or expected shortfall), zero diversification benefit, and zero correlation between spot and forward risks. Northern Trust runs daily a stressed VaR, which replays the severe one year financial crises period of August 2008 to August 2009. In assessing capital adequacy, management considers in particular the results of stress tests run weekly that reenact eight of the most severe historical events over a simulated ten day period.

Soundness Standard and Capital Adequacy

Regulatory capital adequacy is assessed at the 99% confidence level and ten-day horizon per regulatory requirements. Northern Trust's soundness standard for base economic capital is the 99.95% confidence level and two-month horizon. Because the VaR methodology applied is variance-covariance, scaling to horizon and confidence level is achieved via standard parametric scaling. Capital adequacy assessment also considers risks that may not be captured fully in the VaR-based measure, such as concentration and liquidity risk under stressed market conditions.

This document may include forward-looking statements such as statements that relate to Northern Trust's financial goals, capital adequacy, dividend policy, expansion and business development plans, risk management policies, anticipated expense levels and projected profit improvements, business prospects and positioning with respect to market, demographic and pricing trends, strategic initiatives, re-engineering and outsourcing activities, new business results and outlook, changes in securities market prices, credit quality including allowance levels, planned capital expenditures and technology spending, anticipated tax benefits and expenses, and the effects of any extraordinary events and various other matters (including developments with respect to litigation, other contingent liabilities and obligations, and regulation involving Northern Trust and changes in accounting policies, standards and interpretations) on Northern Trust's business and results. These statements speak of Northern Trust's plans, goals, targets, strategies, beliefs, and expectations, and refer to estimates or use similar terms. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties. Our 2012 annual report and periodic reports to the SEC contain information about specific factors that could cause actual results to differ, and you are urged to read them. Northern Trust disclaims any continuing accuracy of the information provided in this document after the date hereof.