UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2001

OR

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

For the transition period from ___________ to __________

Commission File No. 0-5965

NORTHERN TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-2723087**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
50 South La Salle Street Chicago, Illinois	**60675**
(Address of principal executive offices)	**(Zip Code)**

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

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

222,636,056 Shares - $1.66 2/3 Par Value
(Shares of Common Stock Outstanding on March 31, 2001)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET **NORTHERN TRUST CORPORATION**

($ In Millions Except Share Information)	**March 31 2001**	December 31 2000	March 31 2000
Assets			
Cash and Due from Banks	**$ 1,545.3**	$ 2,287.8	$ 1,592.7
Federal Funds Sold and Securities Purchased under Agreements to Resell	**293.2**	549.8	608.9
Time Deposits with Banks	**3,534.1**	5,193.8	3,744.3
Other Interest-Bearing	**28.3**	121.3	31.8
Securities			
Available for Sale	**12,026.4**	6,477.8	8,026.7
Held to Maturity (Fair value - $629.0 at March 2001, $782.1 at December 2000, $748.2 at March 2000)	**614.7**	778.4	758.0
Trading Account	**16.8**	13.4	7.7
Total Securities	**12,657.9**	7,269.6	8,792.4
Loans and Leases			
Commercial and Other	**11,013.1**	11,321.8	10,131.2
Residential Mortgages	**6,855.5**	6,822.8	6,347.6
Total Loans and Leases (Net of unearned income - $365.1 at March 2001, $365.3 at December 2000, $322.7 at March 2000)	**7,868.6**	18,144.6	16,478.8
Reserve for Credit Losses	**(167.9)**	(162.9)	(154.7)
Buildings and Equipment	**466.4**	448.1	384.9
Customers' Acceptance Liability	**16.5**	9.3	33.1
Trust Security Settlement Receivables	**458.0**	615.2	519.2
Other Assets	**1,497.4**	1,545.7	1,188.0
Total Assets	**$38,197.8**	$36,022.3	$33,219.4
Liabilities			
Deposits			
Demand and Other Noninterest-Bearing	**$ 4,472.3**	$ 4,547.7	$ 4,531.8
Savings and Money Market	**5,674.5**	5,521.7	5,304.6
Savings Certificates	**2,326.1**	2,331.2	2,239.6
Other Time	**1,835.1**	427.3	830.0
Foreign Offices - Demand	**724.6**	827.5	690.1
- Time	**8,559.3**	9,172.5	7,858.6
Total Deposits	**23,591.9**	22,827.9	21,454.7
Federal Funds Purchased	**4,502.6**	3,615.0	2,022.4
Securities Sold Under Agreements to Repurchase	**892.4**	1,577.1	799.1
Commercial Paper	**134.5**	142.4	143.4
Other Borrowings	**3,632.6**	2,629.5	4,148.6
Senior Notes	**500.0**	500.0	500.0
Long-Term Debt	**792.4**	638.1	638.4
Debt - Floating Rate Capital Securities	**267.7**	267.6	267.6
Liability on Acceptances	**16.5**	9.3	33.1
Other Liabilities	**1,294.6**	1,353.2	960.5
Total Liabilities	**35,625.2**	33,560.1	30,967.8
Stockholders' Equity			
Preferred Stock	**120.0**	120.0	120.0
Common Stock, $1.66 2/3 Par Value; Authorized 560,000,000 shares at March 2001 and December 2000 and 280,000,000 at March 2000; Outstanding 222,636,056 at March 2001, 222,232,395 at December 2000 and 222,299,865 at March 2000	**379.8**	379.8	379.8
Capital Surplus	**-**	-	-
Retained Earnings	**2,287.7**	2,200.0	1,945.3
Accumulated Other Comprehensive Income	**(13.1)**	(13.2)	(13.2)
Common Stock Issuable - Stock Incentive Plans	**138.5**	110.2	80.9
Deferred Compensation - ESOP and Other	**(72.1)**	(57.9)	(46.2)
Treasury Stock - (at cost, 5,285,468 shares at March 2001, 5,689,129 shares at December 2000, and 5,621,659 shares at March 2000)	**(268.2)**	(276.7)	(215.0)
Total Stockholders' Equity	**2,572.6**	2,462.2	2,251.6
Total Liabilities and Stockholders' Equity	**$38,197.8**	$36,022.3	$33,219.4

CONSOLIDATED STATEMENT OF INCOME

NORTHERN TRUST CORPORATION

($ In Millions Except Per Share Information)	First Quarter Ended March 31 2001	2000
Noninterest Income		
Trust Fees	**$305.2**	$286.0
Foreign Exchange Trading Profits	**34.9**	34.0
Treasury Management Fees	**20.1**	17.1
Security Commissions and Trading Income	**9.6**	9.6
Other Operating Income	**19.7**	15.7
Investment Security Gains	**-**	-
Total Noninterest Income	**389.5**	362.4
Net Interest Income		
Interest Income	**493.4**	435.8
Interest Expense	**345.3**	296.4
Net Interest Income	**148.1**	139.4
Provision for Credit Losses	**5.0**	4.0
Net Interest Income after Provision for Credit Losses	**143.1**	135.4
Noninterest Expenses		
Compensation	**170.4**	164.8
Employee Benefits	**33.8**	29.2
Occupancy Expense	**24.7**	20.8
Equipment Expense	**21.2**	17.9
Other Operating Expenses	**91.5**	93.4
Total Noninterest Expenses	**341.6**	326.1
Income before Income Taxes	**191.0**	171.7
Provision for Income Taxes	**63.8**	58.4
Net Income	**$127.2**	$113.3
Net Income Applicable to Common Stock	**$125.8**	$112.0
Net Income Per Common Share - Basic	**$ .57**	$ .51
- Diluted	**.55**	.49
Average Number of Common Shares Outstanding - Basic	**221,567,912**	221,199,338
- Diluted	**229,821,275**	230,120,655

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NORTHERN TRUST CORPORATION

($ In Millions)	First Quarter Ended March 31 2001	2000
Net Income	**$127.2**	$ 113.3
Other Comprehensive Income (net of tax)		
Unrealized Gains (Losses) on Securities Available for Sale		
Unrealized Holding Gains Arising during the Period (net of tax provision of $1.0 million)	**1.5**	-
Less: Reclassification Adjustments for Gains Included in Net Income	**-**	-
Unrealized Gains (Losses) on Cash Flow Hedge Designations		
Cumulative-Effect of Adopting SFAS No. 133 (net of tax benefit of $.1 million)	**(.2)**	-
Unrealized Losses Arising During the Period (net of tax benefit of $.7 million)	**(1.9)**	
Less: Reclassification Adjustments of Losses Included in Net Income (net of tax benefit of $.4 million)	**.7**	-
Other Comprehensive Income	**.1**	-
Comprehensive Income	**$127.3**	$ 113.3

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY   NORTHERN TRUST CORPORATION

(In Millions)	First Quarter Ended March 31 2001	2000
Preferred Stock		
Balance at January 1 and March 31	**$ 120.0**	$ 120.0
Common Stock		
Balance at January 1 and March 31	**379.8**	379.8
Retained Earnings		
Balance at January 1	**2,200.0**	1,870.7
Net Income	**127.2**	113.3
Dividend Declared - Common Stock	**(34.5)**	(30.0)
Dividends Declared - Preferred Stock	**(1.4)**	(1.4)
Stock Issued - Incentive Plan and Awards	**(3.6)**	(7.3)
Balance at March 31	**2,287.7**	1,945.3
Accumulated Other Comprehensive Income		
Balance at January 1	**(13.2)**	(13.2)
Other Comprehensive Income	**.1**	-
Balance at March 31	**(13.1)**	(13.2)
Common Stock Issuable - Stock Incentive Plans		
Balance at January 1	**110.2**	55.0
Stock Issuable, net of Stock Issued	**28.3**	25.9
Balance at March 31	**138.5**	80.9
Deferred Compensation - ESOP and Other		
Balance at January 1	**(57.9)**	(33.4)
Compensation Deferred	**(19.6)**	(17.2)
Compensation Amortized	**5.4**	4.4
Balance at March 31	**(72.1)**	(46.2)
Treasury Stock		
Balance at January 1	**(276.7)**	(204.2)
Stock Options and Awards	**42.9**	34.8
Stock Purchased	**(34.4)**	(45.6)
Balance at March 31	**(268.2)**	(215.0)
Total Stockholders' Equity at March 31	**$2,572.6**	$2,251.6

CONSOLIDATED STATEMENT OF CASH FLOWS

NORTHERN TRUST CORPORATION

(In Millions)	First Quarter Ended March 31 2001	2000
Cash Flows from Operating Activities:		
Net Income	**$ 127.2**	$ 113.3
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Credit Losses	**5.0**	4.0
Depreciation on Buildings and Equipment	**20.0**	17.0
(Increase) Decrease in Interest Receivable	**36.4**	(8.0)
Increase (Decrease) in Interest Payable	**14.6**	(16.0)
Amortization and Accretion of Securities and Unearned Income	**(72.5)**	(40.6)
Amortization of Software, Goodwill and Other Intangibles	**22.8**	18.9
Net (Increase) Decrease in Trading Account Securities	**(3.4)**	3.3
Other Noncash, net	**(35.1)**	(109.9)
Net Cash Provided by (Used In) Operating Activities	**115.0**	(18.0)
Cash Flows from Investing Activities:		
Net Decrease in Federal Funds Sold and Securities Purchased under Agreements to Resell	**256.6**	474.9
Net (Increase) Decrease in Time Deposits with Banks	**1,659.7**	(1,452.1)
Net Decrease in Other Interest-Bearing Assets	**93.0**	31.4
Purchases of Securities-Held to Maturity	**(27.7)**	(37.9)
Proceeds from Maturity and Redemption of Securities-Held to Maturity	**40.4**	32.8
Purchases of Securities-Available for Sale	**(27,583.0)**	(8,289.0)
Proceeds from Sale, Maturity and Redemption of Securities-Available for Sale	**22,276.2**	5,784.7
Net (Increase) Decrease in Loans and Leases	**275.6**	(1,106.0)
Purchases of Buildings and Equipment	**(38.2)**	(21.5)
Purchases and Development of Computer Software	**(40.3)**	(29.5)
Net (Increase) Decrease in Trust Security Settlement Receivables	**157.2**	(196.1)
Decrease in Cash Due to Acquisitions	**(1.0)**	-
Other, net	**16.7**	.5
Net Cash Used in Investing Activities	**(2,914.8)**	(4,807.8)
Cash Flows from Financing Activities:		
Net Increase in Deposits	**764.0**	83.7
Net Increase in Federal Funds Purchased	**887.6**	1,652.2
Net Decrease in Securities Sold under Agreements to Repurchase	**(684.7)**	(198.7)
Net Decrease in Commercial Paper	**(7.9)**	(1.7)
Net Increase in Short-Term Other Borrowings	**533.1**	3,576.8
Proceeds from Term Federal Funds Purchased	**1,856.0**	831.5
Repayments of Term Federal Funds Purchased	**(1,386.0)**	(1,415.0)
Proceeds from Senior Notes & Long-Term Debt	**154.5**	102.6
Repayments of Senior Notes & Long-Term Debt	**(.2)**	(123.6)
Treasury Stock Purchased	**(33.3)**	(45.1)
Net Proceeds from Stock Options	**5.0**	6.7
Cash Dividends Paid on Common and Preferred Stock	**(36.0)**	(31.6)
Other, net	**5.2**	2.8
Net Cash Provided by Financing Activities	**2,057.3**	4,440.6
Decrease in Cash and Due from Banks	**(742.5)**	(385.2)
Cash and Due from Banks at Beginning of Year	**2,287.8**	1,977.9
Cash and Due from Banks at End of Year	**$ 1,545.3**	$ 1,592.7
Schedule of Noncash Investing Activities:		
Transfer of Securities from Held to Maturity to Available for Sale	**$ 167.0**	$ -
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	**$ 330.6**	$ 312.4
Income Taxes Received	**17.7**	8.8

Notes to Consolidated Financial Statements

1. **Basis of Presentation -** The consolidated financial statements include the accounts of Northern Trust Corporation and its subsidiaries (Northern Trust), all of which are wholly-owned. Significant intercompany balances and transactions have been eliminated. The consolidated financial statements as of March 31, 2001 and 2000 have not been audited by independent public accountants. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods have been made. All such adjustments are of a normal recurring nature. Certain reclassifications have been made to prior periods' consolidated financial statements to place them on a basis comparable with the current period's consolidated financial statements. For a description of Northern Trust's significant accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements in the 2000 Annual Report to Shareholders.

2. **Securities -** The following table summarizes the book and fair values of securities.

	March 31, 2001		December 31, 2000		March 31, 2000	
(In Millions)	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Held to Maturity						
U.S. Government	**$ 25.0**	**$ 25.1**	$ 55.0	$ 55.0	$ 54.9	$ 54.8
Obligations of States and Political Subdivisions	**469.2**	**488.4**	435.7	445.1	470.6	464.9
Federal Agency	**5.6**	**5.6**	5.5	5.5	.9	.7
Other	**114.9**	**109.9**	282.2	276.5	231.6	227.8
Subtotal	**614.7**	**629.0**	778.4	782.1	758.0	748.2
Available for Sale						
U.S. Government	**164.9**	**164.9**	174.6	174.6	182.0	182.0
Obligations of States and Political Subdivisions	**16.5**	**16.5**	15.7	15.7	15.3	15.3
Federal Agency	**11,569.8**	**11,569.8**	6,172.1	6,172.1	7,659.8	7,659.8
Preferred Stock	**90.8**	**90.8**	101.2	101.2	104.8	104.8
Other	**184.4**	**184.4**	14.2	14.2	64.8	64.8
Subtotal	**12,026.4**	**12,026.4**	6,477.8	6,477.8	8,026.7	8,026.7
Trading Account	**16.8**	**16.8**	13.4	13.4	7.7	7.7
Total Securities	**$12,657.9**	**$12,672.2**	$7,269.6	$7,273.3	$8,792.4	$8,782.6

Reconciliation of Book Values to Fair Values of Securities Held to Maturity	March 31, 2001			
	Book	Gross Unrealized		Fair
(In Millions)	Value	Gains	Losses	Value
U.S. Government	$ 25.0	$ .1	$ -	$ 25.1
Obligations of States and Political Subdivisions	469.2	19.2	-	488.4
Federal Agency	5.6	.1	.1	5.6
Other	114.9	-	5.0	109.9
Total	$614.7	$19.4	$5.1	$629.0

Reconciliation of Amortized Cost to Fair Values of Securities Available for Sale	March 31, 2001			
	Amortized	Gross Unrealized		Fair
(In Millions)	Cost	Gains	Losses	Value
U.S. Government	$ 163.9	$1.0	$ -	$ 164.9
Obligations of States and Political Subdivisions	16.7	.2	.4	16.5
Federal Agency	11,567.6	2.3	.1	11,569.8
Preferred Stock	90.9	.2	.3	90.8
Other	184.5	-	.1	184.4
Total	$12,023.6	$3.7	$.9	$12,026.4

3. Pledged Assets - Securities and loans pledged to secure public and trust deposits, repurchase agreements and for other purposes as required or permitted by law were $11.1 billion on March 31, 2001, $10.5 billion on December 31, 2000 and $8.7 billion on March 31, 2000. Included in the March 31, 2001 pledged assets were securities available for sale of $711.3 million, which were pledged as collateral for repurchase agreement transactions. The secured parties to these transactions have the right to repledge or sell these securities.

Northern Trust is permitted to repledge collateral accepted from reverse repurchase agreement transactions. The total fair value of accepted collateral as of March 31, 2001, December 31, 2000 and March 31, 2000 was $269.3 million, $296.4 million and $305.6 million, respectively. The fair value of repledged collateral as of March 31, 2001, December 31, 2000 and March 31, 2000 was $88.8 million, $125.6 million and $77.2 million, respectively. Repledged collateral was used in other repurchase agreement transactions.

4. Contingent Liabilities - Standby letters of credit outstanding were $2.1 billion on March 31, 2001, $2.0 billion on December 31, 2000 and $1.9 billion on March 31, 2000.

5. Loans and Leases - Amounts outstanding in selected loan categories are shown below.

(In Millions)	March 31, 2001	December 31, 2000	March 31, 2000
Domestic			
Residential Real Estate	**$ 6,855.5**	$ 6,822.8	$ 6,347.6
Commercial	**5,118.3**	4,796.8	4,700.0
Broker	**147.9**	126.4	232.8
Commercial Real Estate	**934.0**	911.0	809.1
Personal	**2,111.0**	2,289.3	1,906.0
Other	**795.8**	1,207.1	970.3
Lease Financing	**1,030.3**	1,034.4	711.5
Total Domestic	**16,992.8**	17,187.8	15,677.3
International	**875.8**	956.8	801.5
Total Loans and Leases	**$17,868.6**	$18,144.6	$16,478.8

At March 31, 2001, other domestic and international loans included $1.0 billion of overnight trust-related advances, primarily in connection with next day security settlements, compared with $1.4 billion at December 31, 2000 and $1.2 billion at March 31, 2000.

At March 31, 2001, nonperforming loans totaled $111.1 million. Included in this amount were loans with a recorded investment of $107.7 million, which were also classified as impaired. A loan is impaired when, based on current information, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans totaling $10.6 million had no portion of the reserve for credit losses allocated to them while impaired loans totaling $97.1 million had an allocated reserve of $29.0 million. For the first quarter of 2001, the total recorded investment in impaired loans averaged $82.5 million. There was no interest income recorded on impaired loans for the quarter ended March 31, 2001.

At March 31, 2000, nonperforming loans totaled $56.5 million and included $55.0 million of impaired loans. Of these impaired loans, $7.1 million had no portion of the reserve for credit losses allocated to them while $47.9 million had an allocated reserve of $19.0 million. Total recorded investment in impaired loans for the first quarter of 2000 averaged $56.2 million with $26 thousand of interest income recognized on such loans.

6. Reserve for Credit Losses - Changes in the reserve for credit losses were as follows:

	Three Months Ended March 31	
(In Millions)	**2001**	2000
Balance at Beginning of Period	**$162.9**	$150.9
Charge-Offs	**(.7)**	(.3)
Recoveries	**.7**	.1
Net Charge-Offs	**-**	(.2)
Provision for Credit Losses	**5.0**	4.0
Balance at End of Period	**$167.9**	$154.7

The reserve for credit losses represents management's estimate of probable inherent losses that have occurred as of the date of the financial statements. The loan and lease portfolio and other credit exposures are regularly reviewed to evaluate the adequacy of the reserve for credit losses. In determining the level of the reserve, Northern Trust evaluates the reserve necessary for specific nonperforming loans and also estimates losses inherent in other credit exposures.

The result is a reserve with the following components:

Specific Reserve. The amount of specific reserve is determined through a loan-by-loan analysis of nonperforming loans that considers expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to pay.

Allocated Inherent Reserve. The amount of the allocated portion of the inherent loss reserve is based on loss factors assigned to Northern Trust's credit exposures, which depend upon internal credit ratings. These loss factors primarily include management's judgment concerning the effect of the business cycle on the creditworthiness of Northern Trust's borrowers as well as historical charge-off experience.

Unallocated Inherent Reserve. Management determines the unallocated portion of the inherent reserve based on factors that cannot be associated with a specific credit or loan category. These factors include management's subjective evaluation of local and national economic and business conditions, portfolio concentration and changes in the character and size of the loan portfolio. The unallocated portion of the inherent reserve reflects management's attempt to ensure that the overall reserve appropriately reflects a margin for the imprecision necessarily inherent in estimates of expected credit losses.

7. Net Income Per Common Share Computations - The computation of net income per common share is presented in the following table.

	First Quarter Ended March 31	
($ In Millions Except Per Share Information)	2001	2000
Basic Net Income Per Common Share		
Net Income	**$127.2**	$113.3
Less: Dividends on Preferred Stock	**(1.4)**	(1.3)
Net Income Applicable to Common Stock	**$125.8**	$112.0
Average Number of Common Shares Outstanding	**221,567,912**	221,199,338
Basic Net Income Per Common Share	**$ .57**	$ .51
Diluted Net Income Per Common Share		
Net Income Applicable to Common Stock	**$125.8**	$112.0
Average Number of Common Shares Outstanding	**221,567,912**	221,199,338
Plus Dilutive Potential Common Shares:		
Stock Options	**6,111,385**	6,623,114
Stock Incentive Plans	**2,141,978**	2,298,203
Average Common and Potential Common Shares	**229,821,275**	230,120,655
Diluted Net Income Per Common Share	**$ .55**	$ .49

8. Bank Subordinated Notes - On February 28, 2001, The Northern Trust Company (the Bank) issued $150 million of 6.30% fixed rate subordinated notes due March 7, 2011 at a discount to yield 6.344%. Under the terms of the current offering circular and after giving effect to the February 2001 issuance, the Bank has the ability to offer up to an additional $150 million of subordinated notes and may offer senior notes from time to time, as long as there is never more than $3.7 billion of senior notes outstanding at any time.

9. Accumulated Other Comprehensive Income

	March 31, 2001			
(In Millions)	Unrealized Gains (Losses) on Securities Available For Sale (net of tax)	Minimum Pension Liability (net of tax)	Gains (Losses) on Cash Flow Hedge Designations (net of tax)	Accumulated Other Comprehensive Income
Beginning Balance	**$ (.9)**	**$(12.3)**	**$ –**	**$(13.2)**
Cumulative-effect of adopting SFAS 133			**(.2)**	**(.2)**
Current-Period Change	**1.5**	**–**	**(1.2)**	**.3**
Ending Balance	**$ .6**	**$(12.3)**	**$(1.4)**	**$(13.1)**

	March 31, 2000			
(In Millions)	Unrealized Gains (Losses) on Securities Available For Sale (net of tax)	Minimum Pension Liability (net of tax)	Gains (Losses) on Cash Flow Hedge Designations (net of tax)	Accumulated Other Comprehensive Income
Beginning Balance	$(2.4)	$(10.8)	$ –	$(13.2)
Current-Period Change	–	–	–	–
Ending Balance	$(2.4)	$(10.8)	$ –	$(13.2)

10. Accounting Standards Pronouncements - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless hedge accounting criteria are met. Accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

In July 1999, the FASB issued SFAS No. 137 which amended SFAS No. 133 by deferring the effective date by one year to January 1, 2001 from January 1, 2000 for calendar year-end entities. Northern Trust adopted the new statement on January 1, 2001.

In June 2000, the FASB issued SFAS No. 138, which further amended SFAS No. 133 by addressing a limited number of issues that have caused implementation difficulties. The accounting requirements of these statements are complex and the FASB continues to receive and respond to interpretation requests. The FASB's response to these interpretation requests may have an impact on Northern Trust's current and future hedge strategies. Based on the existing guidance, the January 1, 2001 adoption of these statements increased earnings by approximately $10 thousand and reduced other comprehensive income, a component of capital, by $.2 million. It is estimated that the entire January 1, 2001 balance in other comprehensive income will be reclassified into earnings within twelve months.

In addition, Northern Trust concluded that certain previous hedge strategies used to manage fixed interest rate risk in its loan portfolio would not qualify for the special hedge accounting treatment allowed by SFAS No. 133. Accordingly, management implemented alternative strategies for managing interest rate risk which included the termination and run-off of certain swap contracts used to hedge fixed rate loans and increased utilization of longer-term fixed rate liabilities. Management estimates that utilization of these alternative strategies to manage interest rate risk will reduce net interest income by approximately $750 thousand on an annualized basis.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." SFAS No. 140 replaces SFAS No. 125, the previous standard of the same title. It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it retains most of the accounting requirements of SFAS No. 125. The accounting requirements of the Statement are effective for transactions occurring after March 31, 2001 and the disclosure requirements of the Statement are effective for fiscal years ending after December 15, 2000. It is not anticipated that the adoption of SFAS No. 140 will have a material effect on Northern Trust's results of operations.

11. Business Segments

The tables on page 19, reflecting the earnings contribution of Northern Trust's business segments for the first quarter ended March 31, 2001, are incorporated by reference.

12. Risk Management Instruments

Risk management instruments utilized by Northern Trust include the following types of derivative contracts:

Foreign Exchange Contracts are agreements to exchange specific amounts of currencies at a future date, at a specified rate of exchange. Foreign exchange contracts are entered into primarily to meet the foreign exchange risk management needs of clients. Foreign exchange contracts are also used for trading purposes and asset/liability management.

Interest Rate Protection Contracts are agreements that enable clients to transfer, modify or reduce their interest rate risk. As a seller of interest rate protection, Northern Trust receives a fee at the outset of the agreement and then assumes the risk of an unfavorable change in interest rates. Northern Trust also purchases interest rate protection contracts for asset/liability management.

Interest Rate Swap Contracts involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts.

Forward Sale Contracts represent commitments to sell a specified amount of securities at an agreed upon date and price. Northern Trust utilizes forward sale contracts principally in connection with its sale of mortgage loans.

The major risk associated with these instruments is that interest or foreign exchange rates could change in an unanticipated manner, resulting in higher interest costs or a loss in the underlying value of the instrument. These risks are mitigated by establishing limits for risk management positions, monitoring the level of actual positions taken against such established limits, monitoring the level of any interest rate sensitivity gaps created by such positions, and by using hedging techniques. When establishing position limits, market liquidity and volatility, as well as experience in each market, are all taken into account.

The estimated credit risk associated with these instruments relates to the failure of the counterparty to pay based on the contractual terms of the agreement, and is generally limited to the gross unrealized market value gains on these instruments. The amount of credit risk will increase or decrease during the lives of the instruments as interest or foreign exchange rates fluctuate. This risk is controlled by limiting such activity to an approved list of counterparties and by subjecting such activity to the same credit and quality controls as are followed in lending and investment activities.

Derivatives Used for Asset/Liability Management

Fair Value Hedge Designations. Northern Trust may designate certain derivatives as hedges of specific fixed rate assets or liabilities on its balance sheet. The risk management policy for such hedges is to reduce or eliminate the exposure to overall changes in the value of the hedged assets or liabilities. As of March 31, 2001, one interest rate swap was designated and qualified as a hedge against the overall change in value for a specific fixed rate commercial loan. A gain of $149 thousand was recognized in earnings through March 31, 2001 to reflect the extent to which the hedge was not effective in achieving an offsetting change in the fair value of the loan. Unrealized gains and losses on such swaps are recognized as a component of interest income or expense of the hedged item.

Cash Flow Hedge Designations. Certain derivatives may be designated as hedges against exposure to variability in expected future cash flows attributable to particular risks, such as fluctuations in foreign exchange or interest rates. Northern Trust currently uses cash flow hedges to reduce or eliminate the exposure to changes in foreign exchange rates. As of March 31, 2001, certain forward foreign exchange contracts were designated and qualified as hedges against changes in certain forecasted transactions denominated in foreign currencies. A net loss of $1.4 million related to these instruments was recognized in other comprehensive income. It is estimated that essentially all of the net loss at March 31, 2001 will be reclassified into earnings within the next twelve months. Reclassifications into earnings will occur in the same periods that the hedged cash flows impact revenues or expenses. The maximum length of time over which these hedges will exist is sixteen months. There was no earnings impact due to hedge ineffectiveness through March 31, 2001.

Other Derivatives not Designated as Hedges. Forward foreign exchange contracts were used to reduce exposure to fluctuations in the dollar value of capital investments in foreign subsidiaries and from foreign currency assets and obligations. Realized and unrealized gains and losses on such contracts are recognized as a component of foreign exchange trading profits.

Client and Trading-Related Risk Management Instruments

Northern Trust is a party to various risk management instruments that are used in the normal course of business to meet the risk management needs of its clients and as part of its trading activity for its own account. Realized and unrealized gains and losses from interest risk management instruments are included in security commissions and trading income. Foreign exchange trading gains and losses are recognized currently in foreign exchange trading profits.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRST QUARTER EARNINGS HIGHLIGHTS

Net income increased 12% to a record $127.2 million from the $113.3 million earned in the first quarter of last year. Net income per common share on a diluted basis also increased 12% to $.55 for the first quarter, up from $.49 earned a year ago. This earnings performance produced an annualized return on average common equity (ROE) of 21.53% versus 21.70% reported last year, and an annualized return on average assets (ROA) of 1.45% versus 1.46% in 2000. Although revenues increased 7%, Northern Trust was able to achieve earnings growth of 12% by aggressively managing expenses, which rose only 5%, resulting in the attainment of positive operating leverage. Trust fee growth of 7%, complemented by an 11% increase in treasury management revenues and a 7% increase in net interest income, combined to increase total revenues to a record $551.5 million (stated on a fully taxable equivalent basis).

The 12% earnings per share growth exceeded Northern Trust's minimum goal of 10%, and the ROE surpassed 20% for the sixteenth consecutive quarter. The productivity ratio of 161% also exceeded the corporate goal of 160%.

Noninterest Income

Noninterest income increased 7% and totaled $389.5 million for the quarter, accounting for 71% of total taxable equivalent revenue. Trust fees of $305.2 million increased 7% or $19.2 million over the like period of 2000 and represented 78% of noninterest income and 55% of total taxable equivalent revenue. Trust fee growth resulted from strong new business, offset in part by lower equity markets. Trust fees in the quarter attributable to 2000 acquisitions totaled $3.3 million. Trust assets under administration grew to $1.65 trillion, up 3% since March 31, 2000, but declined 2% since December 31, 2000 as a result of lower equity markets. Trust assets under the management of Northern Trust grew $13.5 billion since last year to $336.6 billion and were down just $1.4 billion from December 31, 2000.

Trust fees are based on the market value of assets managed and administered, the volume of transactions, securities lending volume and spreads, and fees for other services rendered. Asset-based trust fees are typically determined on a sliding scale so that as the value of a client portfolio grows in size, Northern Trust receives a smaller percentage of the increasing value as trust fee income. In addition, certain accounts may be on a fixed annual fee. Therefore, market value or other changes in a portfolio's size do not typically have a proportionate impact on the level of trust fees. In addition, Corporate and Institutional Services (C&IS) trust relationships are increasingly priced to reflect earnings from activities such as custody-related deposits and foreign exchange trading which are not included in trust fees.

Noninterest Income (continued)

Trust fees from Personal Financial Services (PFS) increased 7% from the prior year level of $145.5 million and totaled $156.1 million for the first quarter. This performance reflects continued strong new business throughout Northern Trust's national PFS network, offset in part by lower equity markets. All twelve states in the PFS network recorded increases in trust fees, with the largest states ranging from 1% in Florida to 14% in Texas. The Wealth Management Group continued to show strong performance with trust fees increasing 11%, and now administers $59.6 billion for significant family asset pools worldwide, up 5% from March 31, 2000. Total personal trust assets under administration totaled $160.0 billion at March 31, 2001, compared to $162.1 billion at March 31, 2000 and $168.8 billion at December 31, 2000. Of these assets under administration, $93.3 billion is managed by Northern Trust, compared to $97.3 billion one year ago and $98.1 billion at December 31, 2000. At March 31, 2001, approximately 53% of the personal trust assets under administration and 49% of assets under management were invested in equity securities. Net new recurring PFS trust business sold during the first quarter totaled approximately $15 million in annualized fees.

Northern Trust continued the expansion of the PFS network of offices with the April 2001 opening of a full service office in Weston, Florida. Northern Trust now has Personal Financial Services offices in 82 locations in twelve states, up from 76 offices in ten states at the end of last year's first quarter.

Trust fees from Corporate & Institutional Services (C&IS) in the quarter increased 6% and totaled $149.1 million compared to $140.5 million in the year-ago quarter, reflecting strong new business growth, offset in part by lower equity markets. C&IS trust fees are derived from a full range of custody, investment and advisory services rendered to retirement and other asset pools of corporate and institutional clients worldwide. Custody fees increased to $50.7 million, up 16%, reflecting strong new business and fees associated with the May 2000 acquisition of Northern Trust (Ireland) Limited. Fees from asset management increased 3% to $43.8 million. Securities lending fees of $29.9 million were $2.3 million below the year-ago quarter, which benefited from the carryover effect of higher Year 2000-related spreads. Strong new business results increased fees generated by Northern Trust Retirement Consulting, L.L.C., to $15.3 million, up 17% from last year's first quarter.

Total C&IS trust assets under administration totaled $1.49 trillion at March 31, 2001, compared to $1.44 trillion at March 31, 2000 and $1.51 trillion at December 31, 2000. Of the C&IS trust assets under administration, $243.3 billion is managed by Northern Trust, up 8% from March 31, 2000 and 1% higher than at year-end. At March 31, 2001, approximately 37% of assets under administration and 25% of assets under management were invested in domestic equity securities. Trust assets under administration included approximately $418 billion of global custody assets. Net new recurring C&IS trust business sold during the quarter totaled approximately $19 million in annualized fees.

Foreign exchange trading profits were $34.9 million for the quarter, up 3% from the first quarter of 2000. The current year quarter benefited from market volatility in the yen and a higher level of client transaction volume.

Noninterest Income (continued)

Total treasury management revenues, which include both fees and the computed value of compensating deposit balances, totaled $28.7 million, up 11% from last year's first quarter, due to new business and higher transaction volumes from existing clients. The fee portion of these revenues accrued in the quarter was $20.1 million, up 18% from $17.1 million in the comparable quarter last year, partly as a result of more clients electing to pay for services in fees rather than in compensating deposit balances.

Revenues from security commissions and trading income totaled $9.6 million, unchanged from the first quarter of 2000. Other operating income was $19.7 million for the first quarter compared with $15.7 million in the same period of last year. The increase in other operating income resulted primarily from higher trust deposit-related revenues and loan service fees.

Net Interest Income

Net interest income for the quarter totaled a record $148.1 million, 6% higher than the $139.4 million reported in the first quarter of 2000. 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 off-balance sheet hedging activity. When net interest income is adjusted to a fully taxable equivalent (FTE) basis, yields on taxable, nontaxable and partially taxable assets are comparable, although the adjustment to a FTE basis has no impact on net income. Net interest income on a FTE basis for the quarter was a record $162.0 million, up 7% from the $150.8 million reported in the first quarter of 2000. The increase in net interest income reflects 14% growth in average earning asset levels and a 10% increase in noninterest-related funding sources, primarily demand deposits and equity. The net interest margin narrowed to 2.05% versus 2.16% reported in the year-ago quarter, but improved from 1.96% in the fourth quarter of 2000. The decrease from a year ago is due primarily to the increase in short-term, lower-margin federal agency securities and a greater reliance on interest-related funding sources. The improvement from the fourth quarter reflects the benefit of lower interest rates, growth in equity and higher loan volume.

Earning assets for the first quarter averaged $32.1 billion, up 14% from the $28.1 billion average for the same quarter of 2000. The $4.0 billion growth in average earning assets was comprised of a $2.1 billion or 14% increase in loans and leases and a 23% or $1.9 billion increase in securities. Money market assets averaged $4.5 billion for the quarter, unchanged from last year.

The loan growth was concentrated predominantly in the domestic portfolio, which increased $2.0 billion to average $17.0 billion, while international loans increased by $138 million to $721 million from a year ago. Reflecting strong growth in lending to Wealth Management and private banking clients, personal loans increased $554 million or 33% to average $2.3 billion on average for the quarter. Residential mortgage loans, which represent 39% of the total average loan portfolio, increased $559 million or 9% to average $6.8 billion for the quarter. Commercial and industrial loans increased 9% to average $5.0 billion compared to $4.6 billion in last year's first quarter, while lease financing increased 49% to average $1.0 billion.

Net Interest Income (continued)

Funding for the growth in earning assets came from several sources. Total interest-related deposits averaged $17.9 billion, up 11% or $1.8 billion from the first quarter of 2000. This growth was concentrated primarily in foreign office time deposits, up $775 million as a result of increased global custody activity, non-personal time deposits, up $504 million, and savings, money market deposits and savings certificates, up $532 million. Other interest-related funds averaged $9.3 billion, up $1.7 billion or 23% compared to a year ago, due predominantly to higher levels of borrowings from the Federal Home Loan Bank and securities sold under agreements to repurchase. Partially offsetting these increases were lower levels of federal funds purchased. The balances within these classifications vary based on funding requirements and strategies, interest rate levels, growth in lower cost deposit sources, and the availability of collateral to secure these borrowings. Noninterest-related funds increased 10% to average $4.9 billion due to growth in common stockholders' equity resulting from retained earnings, and to higher levels of demand deposits.

Provision for Credit Losses

The provision for credit losses was $5.0 million in the first quarter compared to $4.0 million for the same quarter last year and $5.0 million in the fourth quarter of 2000. For a discussion of the provision and reserve for credit losses, refer to the Asset Quality section beginning on page 22.

Noninterest Expenses

Noninterest expenses totaled $341.6 million for the quarter, an increase of 5% or $15.5 million from the $326.1 million in the year-ago quarter. Expense growth has been reduced from the rate experienced in recent quarters partially as a result of initiatives implemented by management to reduce certain discretionary expenses. These initiatives include closely monitoring staffing levels, limiting staff-related and other discretionary expenses, and modifying some cash incentive plans for 2001 to include a stock option grant component. This last initiative resulted in a $5.7 million expense savings in the quarter when compared to programs in place prior to this initiative. Approximately two-thirds of the increase in noninterest expenses related to compensation and employee benefits and was primarily attributable to staff growth and merit increases, partially offset by lower performance-based pay. The balance of the expense growth reflects increased costs associated with technology investments (including e-business initiatives), business promotion, office expansion, and operating costs relating to the significant growth in transaction volumes. Noninterest expenses resulting from the two second quarter 2000 acquisitions totaled $3.9 million in the current quarter.

Compensation and employee benefits, which represent approximately 60% of total noninterest expenses, increased to $204.2 million from $194.0 million in the year-ago quarter. The increase was primarily attributable to staff growth and merit increases, partially offset by lower performance-based pay. Performance-based pay in the prior year quarter was impacted by the significant increase in the price of Northern Trust Corporation common stock during that quarter. Current quarter performance-based

Noninterest Expenses (continued)

compensation levels reflect the impact of slower revenue growth, lower investment portfolio performance and the modifications made to incentive plans. Staff levels increased from one year ago to support growth initiatives and strong new business in both PFS and C&IS. Staff on a full-time equivalent basis at March 31, 2001 totaled 9,537, up 837 or 10% from March 31, 2000. Since December 31, 2000, staff has increased by only 71 positions, or less than 1%.

Net occupancy expense totaled $24.7 million, up 19% from $20.8 million in the first quarter of 2000, due primarily to the opening of additional PFS offices over the past twelve months and additional space leased to support business growth. The principal components of the increase in occupancy expense were higher net rental, operating and maintenance costs, building depreciation and amortization expense of leasehold improvements.

Equipment expense, comprised of depreciation, rental and maintenance costs, totaled $21.2 million, up 18% from the $17.9 million reported in the first quarter of 2000. The increases were primarily in depreciation of computer hardware and office furniture, higher maintenance costs for computers and equipment, and increased costs for data line leases.

Other operating expenses in the quarter totaled $91.5 million compared to $93.4 million last year. The decline in other operating expenses reflect the net impact of several factors. Among other things, expenses were reduced as a result of lower stock-related director compensation, a decrease in subcustodian and sub-advisor costs, and a reduction in charges associated with processing errors incurred in servicing and managing financial assets and performing banking activities. These lower expenses more than offset higher costs associated with continued investment in technology, expansion of the PFS office network and other expenditures to support business growth. The following table shows the components of other operating expenses.

Other Operating Expenses	First Quarter Ended March 31	
(In Millions)	2001	2000
Business Development	**$13.7**	$12.9
Purchased Professional Services	**31.4**	30.5
Telecommunications	**4.8**	4.6
Postage and Supplies	**7.0**	7.1
Software Amortization	**18.7**	15.4
Goodwill and Other Intangibles Amortization	**4.1**	3.5
Other Expenses	**11.8**	19.4
Total Other Operating Expenses	**$91.5**	$93.4

Provision for Income Taxes

The provision for income taxes was $63.8 million for the first quarter compared with $58.4 million in the year-ago quarter. The higher tax provision in 2001 resulted primarily from the growth in taxable earnings for federal income tax purposes. The effective tax rate for the first quarter was 33.4% compared to 34.0% for the first quarter of 2000.

BUSINESS SEGMENTS

The following table reflects the earnings contribution and average assets of Northern Trust's business segments for the first quarter ended March 31, 2001 and 2000.

First Quarter	Corporate and Institutional Services		Personal Financial Services		Treasury and Other		Total Consolidated	
($ In Millions)	2001	2000	2001	2000	2001	2000	2001	2000
Noninterest Income								
Trust Fees	**$ 149.1**	$ 140.5	**$ 156.1**	$ 145.5	**$ -**	$ -	**$ 305.2**	$ 286.0
Other	**65.2**	60.0	**18.0**	17.3	**1.1**	(.9)	**84.3**	76.4
Net Interest Income after Provision for Credit Losses*	**46.5**	42.1	**106.8**	102.6	**3.7**	2.1	**157.0**	146.8
Noninterest Expenses	**167.3**	148.9	**169.9**	154.6	**4.4**	22.6	**341.6**	326.1
Income before Income Taxes*	**93.5**	93.7	**111.0**	110.8	**.4**	(21.4)	**204.9**	183.1
Provision for Income Taxes*	**36.3**	36.4	**43.0**	43.1	**(1.6)**	(9.7)	**77.7**	69.8
Net Income	**$ 57.2**	$ 57.3	**$ 68.0**	$ 67.7	**$ 2.0**	$ (11.7)	**$ 127.2**	$ 113.3
Percentage Net Income Contribution	**45%**	51%	**53%**	60%	**2%**	(11)%	**100%**	100%
Average Assets	**$18,234.4**	$15,662.9	**$14,578.1**	$12,548.3	**$ 2,842.5**	$ 3,048.8	**$35,655.0**	$31,260.0

*Stated on a fully taxable equivalent basis (FTE). Total includes FTE adjustments of $13.9 million for 2001 and $11.4 million for 2000.

Note: Certain reclassifications have been made to 2000 financial information to conform to the current year presentation.

Corporate and Institutional Services

C&IS net income for the quarter totaled $57.2 million, virtually unchanged from the first quarter of 2000. Noninterest income increased 7% to $214.3 million in the first quarter of 2001 from $200.5 million in last year's first quarter. Trust fees, reflecting strong new business growth, offset in part by lower equity markets, increased 6% to $149.1 million in the current quarter compared to $140.5 million in the year-ago quarter. Other income was $65.2 million, up 9% from $60.0 million in last year's first quarter. Approximately one-third of the increase in other operating income was due to higher fees accrued for treasury management services due to new business, higher transaction volumes from existing clients and clients electing to pay for services in fees rather than in compensating deposit balances. The remainder of the increase in other income was due primarily to higher trust deposit-related revenues and loan service fees.

Net interest income after the provision for credit losses, stated on a FTE basis, increased 11% to $46.5 million in the current quarter, from $42.1 million in last year's first quarter. Contributing to the improvement was a 17% increase in average earning assets, combined with a 12% increase in noninterest-related funds. The net interest margin declined from 1.43% last year to 1.34% in the current quarter.

Noninterest expenses increased 12% to $167.3 million in the current quarter due primarily to staff growth, merit increases, higher occupancy costs and expense allocations for product and operations support.

Personal Financial Services

PFS net income for the quarter was $68.0 million, virtually unchanged from a year ago. Noninterest income increased 7% to $174.1 million in the current quarter from $162.8 million in last year's first quarter. The increase was due primarily to a 7% increase in trust fees, which totaled $156.1 million in the current quarter, resulting from strong new business throughout Northern Trust's national PFS network, offset in part by lower equity markets. Other income increased 4% from $17.3 million in last year's first quarter to $18.0 million in the current quarter, due primarily to a 23% increase in treasury management fees and higher loan-related and letter of credit fees.

Net interest income after the provision for credit losses, stated on a FTE basis, increased 4% to $106.8 million in the current quarter. The increase was due primarily to a $1.6 billion or 14% increase in average loan volume, offset in part by a reduction in the net interest margin from 3.34% last year to 3.04% in 2001.

Noninterest expenses increased 10% to $169.9 million in the current quarter from $154.6 million in last year's first quarter. Approximately $3.0 million or 20% of the total increase related to salaries and employee benefits, driven by staff growth and merit increases. An additional $11.1 million of the overall increase resulted from higher expense allocations for product and operations support. In addition, occupancy costs were $.8 million or 11% higher as a result of opening new PFS offices and the expansion of existing locations.

Treasury and Other

The Treasury Department is responsible for managing The Northern Trust Company's (Bank) wholesale funding, capital position and interest rate risk, as well as the portfolio of interest rate risk management instruments. It is also responsible for the investment portfolios of the Corporation and the Bank. "Other" corporate income and noninterest expenses represent items that are not allocated to the business units and generally represent certain nonrecurring items and certain executive level compensation. Net interest income for the first quarter was up slightly from a year ago resulting primarily from the impact of falling interest rates in 2001. Noninterest expenses totaled $4.4 million for the quarter compared with $22.6 million in last year's first quarter. Approximately 60% of the decline in other operating expenses relates to lower accruals for certain corporate-based incentive plans for officers and directors, which were impacted by changes in Northern Trust Corporation's stock price and slower revenue growth. In addition, the prior year quarter included accruals for incentive and other expenses associated with the earlier than anticipated retirement of certain Bank officers. Treasury and other expenses were also reduced as more occupancy related costs were allocated to the business units as a result of the technology center, purchased in January 2000, becoming fully utilized.

BALANCE SHEET

Total assets at March 31, 2001 were $38.2 billion and averaged $35.7 billion for the first quarter, up 14% from last year's average of $31.3 billion. Due to continued strong credit demand, loans and leases grew to $17.9 billion at March 31, 2001 and averaged $17.7 billion for the quarter. This compares with $16.5 billion in total loans and leases at March 31, 2000 and $15.6 billion on average for the first quarter of last year. Securities totaled $12.7 billion at March 31, 2001 and averaged $9.9 billion for the first quarter, compared to $8.8 billion at March 31, 2000 and $8.0 billion on average in the first quarter of 2000. The increase was primarily in short-term federal agency securities. Money market assets totaled $3.9 billion at March 31, 2001 and averaged $4.5 billion in the first quarter, unchanged from the year-ago quarter.

Driven by continued strong earnings growth, offset in part by stock repurchases under Northern Trust’s ongoing stock buyback program, common stockholders' equity increased to $2.45 billion at March 31, 2001 and averaged $2.37 billion for the quarter, up 14% from the $2.08 billion average in last year’s first quarter. Total stockholders' equity averaged $2.49 billion compared with $2.20 billion in the first quarter of 2000.

During the quarter, the Corporation acquired a total of 463,395 shares at a cost of $34.4 million. An additional 6.7 million shares may be purchased after March 31, 2001 under the current stock buyback program.

Northern Trust's risk-based capital ratios remained strong at 10.1% for tier 1 capital and 13.7% for total capital at March 31, 2001. These ratios are well above the minimum regulatory requirements of 4% for tier 1 and 8% for total risk-based capital ratios. The leverage ratio (tier 1 capital to first quarter average assets) of 7.3% at March 31, 2001, also exceeded the minimum regulatory requirement of 3%. The Bank's risk-based capital ratios at March 31, 2001 were 8.6% for tier 1 capital, 12.3% for total capital and 6.2% for the leverage ratio. Each of Northern Trust’s other subsidiary banks had a ratio of 10.3% or higher for tier 1 capital, 11.2% for total risk-based capital, and 6.7% for the leverage ratio.

ASSET QUALITY

Nonperforming assets consist of nonaccrual loans and other real estate owned (OREO). Nonperforming assets at March 31, 2001 totaled $112.7 million, compared with $78.5 million at December 31, 2000 and $58.6 million at March 31, 2000. Domestic nonaccrual loans and leases, consisting primarily of commercial loans, totaled $111.1 million, or .65% of total domestic loans and leases at March 31, 2001. At December 31, 2000 and March 31, 2000, domestic nonaccrual loans and leases totaled $76.3 million and $56.5 million, respectively. The increase during the quarter primarily reflects the impact of one large commercial loan to a manufacturing company that filed for Chapter 11 reorganization at the beginning of April 2001.

The following table presents the outstanding amounts of nonaccrual loans and OREO. Also shown are loans that have interest or principal payments that are delinquent 90 days or more and are still accruing interest. The balance in this category at any quarter-end can fluctuate widely based on the timing of cash collections, renegotiations and renewals.

(In Millions)	March 31, 2001	December 31, 2000	March 31, 2000
Nonaccrual Loans			
Domestic			
Residential Real Estate	**$ 4.2**	$ 2.9	$ 5.6
Commercial	**104.8**	71.2	48.2
Commercial Real Estate	**1.4**	1.8	2.0
Personal	**.7**	.4	.7
Total Domestic	**111.1**	76.3	56.5
International	**-**	-	-
Total Nonaccrual Loans	**111.1**	76.3	56.5
Other Real Estate Owned	**1.6**	2.2	2.1
Total Nonperforming Assets	**$112.7**	$78.5	$58.6
Total 90 Day Past Due Loans (still accruing)	**$ 31.1**	$30.5	$25.2

Provision and Reserve for Credit Losses

The provision for credit losses is the charge against current earnings that is determined by management, through a disciplined credit review process, as the amount needed to maintain a reserve that is sufficient to absorb credit losses inherent in Northern Trust's loan and lease portfolios and other credit undertakings. The reserve provides for probable 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 and other credit undertakings but that have not yet been specifically identified (inherent loss component).

Note 6 to the Consolidated Financial Statements includes a table that analyzes the reserve for credit losses for the three months ended March 31, 2001 and March 31, 2000 and identifies the charge-offs, recoveries and the provision for credit losses during the respective periods. The table on the following page shows (i) the specific reserve, (ii) the allocated portion of the inherent reserve and its components by loan category and (iii) the unallocated portion of the inherent reserve at March 31, 2001, December 31, 2000 and March 31, 2000.

Provision and Reserve for Credit Losses (continued)

ALLOCATION OF THE RESERVE FOR CREDIT LOSSES						
	March 31, 2001		December 31, 2000		March 31, 2000	
($ in millions)	Reserve Amount	Percent of Loans to Total Loans	Reserve Amount	Percent of Loans to Total Loans	Reserve Amount	Percent of Loans to Total Loans
Specific Reserve	**$ 29.0**	**-** %	$ 24.3	- %	$ 19.0	- %
Inherent Reserve						
Residential Real Estate	**9.5**	**38**	9.6	38	11.3	39
Commercial	**80.4**	**29**	79.1	27	73.0	29
Commercial Real Estate	**13.1**	**5**	13.2	5	12.6	5
Personal	**4.2**	**12**	4.3	13	3.3	12
Other	**-**	**5**	-	6	-	6
Lease Financing	**2.9**	**6**	2.9	6	2.9	4
International	**3.9**	**5**	3.4	5	4.2	5
Unallocated	**24.9**	**-**	26.1	-	28.4	-
Total Inherent Reserve	**$138.9**	**100** %	$138.6	100 %	$135.7	100 %
Total Reserve	**$167.9**	**100** %	$162.9	100 %	$154.7	100 %

Specific Reserve. At March 31, 2001, the specific component of the reserve stood at $29.0 million, compared to $24.3 million at December 31, 2000 and $19.0 million at March 31, 2000. The $4.7 million increase from year-end 2000 primarily relates to the loss estimated on a large commercial loan to a manufacturing company that filed for Chapter 11 reorganization at the beginning of April 2001.

Allocated Inherent Reserve. The allocated inherent portion of the reserve increased by $1.5 million during the quarter to $114.0 million at March 31, 2001, primarily reflecting the impact of lowering the credit ratings on several commercial loans during the quarter. This increase was partially offset by a reduction in reserves allocated to off-balance sheet instruments, as certain loss factors were lowered to reflect current exposure in unused commercial loan commitments and standby letters of credit, while counterparty risk associated with derivative products continued to increase.

Unallocated Inherent Reserve. The unallocated portion of the inherent reserve is based on management's review of overall factors affecting the determination of probable losses inherent in the portfolio, which are not necessarily captured by the application of historical loss ratios. This portion of the reserve analysis involves the exercise of judgment and reflects considerations such as management's view that the reserve should have a margin that recognizes the imprecision inherent in the process of estimating expected credit losses. The unallocated inherent portion of the reserve was $24.9 million, a decrease of $1.2 million from December 31, 2000, reflecting management's judgment that there have been only minor changes in the factors affecting this component of the reserve.

Provision and Reserve for Credit Losses (continued)

Other Factors. During the quarter ended March 31, 2001, there were no significant changes in concentration of credits that impacted asset quality at the time reserve determinations were made for the quarter. At that time, the total amount of the two highest risk loan groupings, those rated “7” and “8” (based on Northern Trust’s internal rating scale, which closely parallels that of the banking regulators), was $171 million, of which $107.7 million was classified as impaired, up from $153 million at December 31, 2000 when $74.7 million was impaired, and $81 million at March 31, 2000 when $55.0 million was impaired. These increases primarily reflect rating changes on certain loans, with the most significant rating changes caused by two commercial clients that filed for protection under Chapter 11 bankruptcy laws.

Total Reserve. Management’s evaluation of the factors above resulted in a reserve for credit losses of $167.9 million at March 31, 2001 compared to $162.9 million at December 31, 2000. The reserve as a percentage of total loans increased to .94% at March 31, 2001 from .90% at December 31, 2000.

Provision. The resulting provision for credit losses was $5.0 million during the first quarter of 2001.

MARKET RISK MANAGEMENT

As described in the 2000 Annual Report to Shareholders, Northern Trust manages its interest rate risk through measurement techniques which include simulation of earnings, simulation of the economic value of equity, and gap analysis. Also, as part of its risk management activities, it regularly measures the risk of loss associated with foreign currency positions using a value at risk model.

Based on this continuing evaluation process, Northern Trust’s interest rate risk position and the value at risk associated with the foreign exchange trading portfolio have not changed significantly since December 31, 2000.

FORWARD-LOOKING INFORMATION

This report contains statements that may be considered forward-looking, such as the discussion of Northern Trust's financial goals, dividend policy, expansion and business development plans, business prospects and positioning with respect to market and pricing trends, new business results and outlook, changes in securities market prices, credit quality, planned capital expenditures and technology spending, and the effect of various matters (including changes in accounting standards and interpretations) on Northern Trust's business and results. These statements speak of Northern Trust's plans, goals, beliefs or expectations, refer to estimates or use similar terms. Actual results could differ materially from the results indicated by these statements because the realization of those results is subject to many uncertainties including:

- The future health of the U.S. and international economies and other economic factors that affect wealth creation, investment and savings patterns, and Northern Trust's interest rate risk exposure and credit risk.
- Changes in U.S. and worldwide securities markets, with respect to the market values of financial assets, the stability of particular securities markets and the level of volatility in certain markets such as foreign exchange.
- Changes in the level of cross-border investing by clients resulting from changing economic factors, political conditions or currency markets.
- Regulatory developments and changes in accounting requirements or interpretations in the U.S. and other countries where Northern Trust has significant business.
- Changes in the nature of Northern Trust's competition resulting from industry consolidation, enactment of the Gramm-Leach-Bliley Act of 1999, and other regulatory changes and other factors, as well as actions taken by particular competitors.
- Northern Trust's success in continuing to generate new business in its existing markets, as well as its success in identifying and penetrating targeted markets, through acquisition or otherwise, and generating a profit in those markets in a reasonable time.
- Northern Trust's ability to continue to generate strong investment results for clients and continue to develop its array of investment products, internally or through acquisition, in a manner that meets clients' needs.
- Northern Trust's success in further developing and executing on implementing initiatives that integrate the Internet into methods of product distribution, new business development and client service.
- Northern Trust's ability to continue to fund and accomplish technological innovation, improve processes and controls, address technology risks, including material systems interruptions or errors, and attract and retain capable staff in order to deal with technology challenges and increasing volume and complexity in many of its businesses.

FORWARD-LOOKING INFORMATION (continued)

- Northern Trust's success in integrating recent and future acquisitions and using the acquired businesses to execute its business strategy.

- The ability of each of Northern Trust's principal businesses to maintain a product mix that achieves satisfactory margins.

- Changes in tax laws or other legislation in the U.S. or other countries that could affect Northern Trust or clients of its personal and institutional asset administration businesses.

Some of these uncertainties that may affect future results are discussed in more detail in the section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" captioned "Risk Management" in the 2000 Annual Report to Shareholders (pp. 38-48) and in the sections of "Item 1 - Business" of the 2000 Annual Report on Form 10-K captioned "Government Policies", "Competition" and "Regulation and Supervision" (pp. 7-12). All forward-looking statements included in this report are based upon information presently available, and Northern Trust assumes no obligation to update any forward-looking statement.

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

CONSOLIDATED AVERAGE STATEMENT OF CONDITION WITH ANALYSIS OF NET INTEREST INCOME — **NORTHERN TRUST CORPORATION**

(Interest and rate on a taxable equivalent basis)	First Quarter					
	2001			2000		
($ in Millions)	**Interest**	**Volume**	**Rate**	Interest	Volume	Rate
Average Earning Assets						
Money Market Assets						
Federal Funds Sold and Resell Agreements	**$ 10.8**	**$ 741.9**	**5.89%**	$ 11.0	$ 770.4	5.77%
Time Deposits with Banks	**47.5**	**3,763.9**	**5.12**	47.2	3,708.8	5.11
Other Interest-Bearing	**.4**	**24.3**	**6.73**	1.0	58.3	6.90
Total Money Market Assets	**58.7**	**4,530.1**	**5.25**	59.2	4,537.5	5.25
Securities						
U.S. Government	**3.4**	**208.8**	**6.66**	3.6	250.2	5.74
Obligations of States and Political Subdivisions	**9.1**	**453.9**	**8.03**	10.0	487.3	8.24
Federal Agency	**128.4**	**8,803.2**	**5.91**	103.9	6,877.3	6.08
Other	**7.4**	**397.7**	**7.47**	7.6	391.4	7.77
Trading Account	**.2**	**14.8**	**6.06**	.2	11.7	7.70
Total Securities	**148.5**	**9,878.4**	**6.09**	125.3	8,017.9	6.28
Loans and Leases	**300.1**	**17,713.9**	**6.87**	262.7	15,577.2	6.78
Total Earning Assets	**$507.3**	**32,122.4**	**6.40%**	$447.2	28,132.6	6.39%
Reserve for Credit Losses	**-**	**(165.4)**	**-**	-	(152.8)	-
Cash and Due from Banks	**-**	**1,448.6**	**-**	-	1,401.2	-
Other Assets	**-**	**2,249.4**	**-**	-	1,879.0	-
Total Assets	**-**	**$35,655.0**	**-**	-	$31,260.0	-
Average Source of Funds						
Deposits						
Savings and Money Market	**$ 54.8**	**$ 5,620.6**	**3.96%**	$ 45.3	$ 5,166.3	3.53%
Savings Certificates	**34.7**	**2,351.3**	**5.98**	31.4	2,273.5	5.56
Other Time	**17.8**	**1,293.0**	**5.57**	11.1	789.2	5.65
Foreign Offices Time	**102.9**	**8,642.1**	**4.83**	96.7	7,866.8	4.94
Total Deposits	**210.2**	**17,907.0**	**4.76**	184.5	16,095.8	4.61
Federal Funds Purchased	**34.0**	**2,492.4**	**5.54**	38.9	2,689.5	5.81
Repurchase Agreements	**23.3**	**1,726.3**	**5.47**	17.2	1,244.3	5.57
Commercial Paper	**2.0**	**140.1**	**5.72**	2.1	138.9	6.02
Other Borrowings	**50.9**	**3,469.6**	**5.95**	29.3	2,048.4	5.76
Senior Notes	**8.6**	**500.0**	**6.86**	8.6	512.1	6.71
Long-Term Debt	**11.9**	**684.5**	**6.97**	11.3	644.7	7.04
Debt - Floating Rate Capital Securities	**4.4**	**267.7**	**6.51**	4.5	267.6	6.71
Total Interest-Related Funds	**345.3**	**27,187.6**	**5.15**	296.4	23,641.3	5.04
Interest Rate Spread	**-**	**-**	**1.25%**	-	-	1.35%
Noninterest-Related Deposits	**-**	**4,750.9**	**-**	-	4,411.7	-
Other Liabilities	**-**	**1,225.7**	**-**	-	1,011.6	-
Stockholders' Equity	**-**	**2,490.8**	**-**	-	2,195.4	-
Total Liabilities and Stockholders' Equity	**-**	**$35,655.0**	**-**	-	$31,260.0	-
Net Interest Income/Margin	**$162.0**	**-**	**2.05%**	$150.8	-	2.16%

ANALYSIS OF NET INTEREST INCOME CHANGES DUE TO VOLUME AND RATE

	First Quarter 2001/2000		
	Change Due To		
(In Millions)	Volume	Rate	Total
Earning Assets	$62.5	$(2.4)	$60.1
Interest-Related Funds	46.9	2.0	48.9
Net Interest Income	$15.6	$ (4.4)	$11.2

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The information called for by this item is incorporated herein by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Market Risk Management” on page 24 and footnote 12 on pages 12 and 13 of this document.

PART II - OTHER INFORMATION

Item 4. **Submission of Matters to a Vote of Security Holders.**

The annual meeting of the stockholders of Northern Trust Corporation was held on April 17, 2001 for the purpose of electing fourteen Directors to hold office until the next annual meeting of stockholders. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and there was no solicitation in opposition to management's nominees. All of the management's nominees for Director as listed in the proxy statement were elected by the votes set forth below. As contemplated by the description of cumulative voting procedures in the Corporation's Proxy Statement, votes withheld from some (but less than all) of the candidates were distributed by the proxies among candidates with respect to whom authority was not withheld. There were no broker non-votes with respect to any candidates.

NOMINEES	FOR	WITHHELD
Duane L. Burnham	196,958,842	904,650
Dolores E. Cross	196,905,278	904,650
Susan Crown	196,952,799	904,650
Robert S. Hamada	197,003,110	904,650
Barry G. Hastings	196,930,473	904,650
Robert A. Helman	195,541,608	904,650
Arthur L. Kelly	196,764,092	904,650
Frederick A. Krehbiel	196,980,594	904,650
Robert C. McCormack	196,999,146	904,650
Edward J. Mooney	196,960,400	904,650
William A. Osborn	196,938,662	904,650
Harold B. Smith	196,964,701	904,650
William D. Smithburg	196,166,779	904,650
Bide L. Thomas	196,771,984	904,650

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit (99) Edited version of remarks delivered by Mr. William A. Osborn at the Annual Meeting of Stockholders of Northern Trust Corporation held on April 17, 2001.

(b) Reports on Form 8-K

In a report on Form 8-K filed January 16, 2001, Northern Trust Corporation incorporated in Item 5 its January 16, 2001 press release, reporting on its earnings for the fourth quarter of 2000. The press release, with summary financial information, was filed pursuant to Item 7.

In a report on Form 8-K filed February 23, 2001, Northern Trust Corporation incorporated in Item 5 the Registrant's consolidated financial statements (including the notes thereto) for the year ended December 31, 2000, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHERN TRUST CORPORATION
(Registrant)

Date: May 11, 2001

By: Perry R. Pero
Perry R. Pero
Vice Chairman
and Chief Financial Officer

Date: May 11, 2001

By: Harry W. Short
Harry W. Short
Executive Vice President and Controller
(Chief Accounting Officer)

EXHIBIT INDEX

The following exhibits have been filed with the Securities and Exchange Commission with Northern Trust Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001. Stockholders may obtain copies of such exhibits by writing Rose A. Ellis, Secretary, Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois 60675.

Exhibit Number	Description
Exhibit (99)	Edited version of remarks delivered by Mr. William A. Osborn at the Annual Meeting of Stockholders of Northern Trust Corporation held on April 17, 2001.