

NORTHERN TRUST CORP
Form DEF 14A
March 15, 2004

NOTICE & PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY
RULE 14A-6(E)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

NORTHERN TRUST CORPORATION

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On

April 20, 2004

To the Stockholders of Northern Trust Corporation:

The annual meeting of stockholders of Northern Trust Corporation will be held on Tuesday, April 20, 2004 at 10:30 a.m., Chicago time, at the office of the Corporation, northwest corner of LaSalle and Monroe Street in Chicago, Illinois.

The purposes of the meeting are to:

- Elect 13 directors to hold office until the next annual meeting of stockholders and until their successors shall have been elected and qualified;
- Ratify the appointment of KPMG LLP as independent public accountants of the Corporation for the year 2004; and
- Transact any other business that may properly come before the meeting.

You may vote if you are a stockholder of record at the close of business on March 1, 2004.

ROSE A. ELLIS

Corporate Secretary

March 15, 2004

IMPORTANT PLEASE VOTE PROMPTLY

In order that there may be proper representation at the meeting, we urge you to vote by telephone or through the Internet or sign and return the enclosed proxy card in the postage-paid envelope provided. You may nevertheless vote in person if you do attend the meeting.

NORTHERN TRUST CORPORATION

50 South LaSalle Street

Chicago, Illinois 60675

March 15, 2004

PROXY STATEMENT

INTRODUCTION

Our 2004 annual meeting of stockholders will be held on Tuesday, April 20, 2004 at 10:30 a.m., Chicago time, at the office of Northern Trust Corporation (the "Corporation") located on the northwest corner of LaSalle and Monroe Street in Chicago, Illinois. We invite you to attend the annual meeting and vote your shares directly.

You do not need to attend the annual meeting to vote your shares. Instead, you may vote your shares by telephone or through the Internet or you may complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided. Instructions for voting by telephone or through the Internet can be found on the enclosed proxy card.

The Corporation's board of directors is soliciting your proxy to encourage your participation in the voting at the annual meeting and to obtain your support on each proposal to be presented. This proxy statement provides you with information about each proposal and other matters that you may find useful in voting your shares. On March 15, 2004, we began mailing this proxy statement and the enclosed proxy card to all stockholders entitled to vote at the annual meeting. Detailed information relating to the Corporation's activities and financial performance is contained in our 2003 annual report to stockholders, which is also enclosed.

VOTING

Who May Vote

Record holders of the Corporation's common stock at the close of business on March 1, 2004 may vote at the annual meeting. On that date, the Corporation had 220,409,696 shares outstanding. The shares of common stock held in the Corporation's treasury will not be voted.

You are entitled to one vote for each share of common stock that you owned of record at the close of business on March 1, 2004. The enclosed proxy card indicates the number of shares you are entitled to vote at the annual meeting. You may vote cumulatively in the election of directors, a process described below under "Election of Directors."

Voting Your Proxy

Whether or not you plan to attend the annual meeting, we urge you to vote your proxy promptly.

If you are a stockholder of record (that is, if you hold shares of the Corporation's common stock in your own name), you may vote your shares by proxy using any of the following methods:

- telephoning the toll-free number listed on the proxy card;
- using the Internet site listed on the proxy card; or
- completing, signing, dating and returning the proxy card in the postage-paid envelope provided.

The telephone and Internet voting procedures set forth on the proxy card are designed to authenticate stockholders' identities, to allow stockholders to provide their voting instructions, and to confirm that their instructions have been properly recorded. If you vote by telephone or through the Internet, you should not return your proxy card.

If your shares of common stock are held by a broker, bank or other nominee in street name, you will receive voting instructions (including instructions, if any, on how to vote by telephone or through the Internet) from the record holder that you must follow in order to have your shares voted at the annual meeting.

If you own shares of common stock as a participant in the Northern Trust Employee Stock Ownership Plan, The Northern Trust Company Thrift-Incentive Plan, or in any other employee benefit plan of the Corporation, you will receive a voting instruction card that covers the shares credited to each of your plan accounts.

Whether you vote by mail, telephone or Internet, your common stock will be voted in accordance with your instructions. If you sign, date and return your proxy card without indicating how you want to vote your shares, the proxy holders will vote your shares as recommended by the board of directors FOR the election of each nominee for director and FOR the ratification of the appointment of KPMG LLP as the Corporation's independent public accountants for the year 2004.

Revoking Your Proxy

You may revoke your proxy at any time *before* it is voted at the annual meeting. To revoke your proxy, you may send a written notice of revocation to the Corporation's Corporate Secretary at the address indicated on the first page of this proxy statement, submit another signed proxy with a later date, vote by telephone or through the Internet at a later date, or vote in person at the annual meeting.

Voting in Person

You may come to the annual meeting and vote your shares in person by obtaining and submitting a ballot that will be provided at the meeting. However, if your shares are held by a broker, bank or other nominee in street name, to be able to vote at the meeting you must obtain a proxy, executed in your favor, from the institution that holds your shares, indicating that you were the beneficial owner of the shares on March 1, 2004, the record date for voting.

Householding Information

We are delivering only one annual report and proxy statement to registered stockholders who share the same address unless they have notified us that they wish to continue receiving multiple copies. This practice, known as householding, reduces duplicate mailings, saves printing and postage costs as well as natural resources and will not affect dividend check mailings. If you wish to receive a separate copy of the annual report or proxy statement, or if you wish to receive separate copies of future annual reports or proxy statements, please call 312-444-7030 or mail a request to the Corporation's Corporate Secretary at the address indicated on the first page of this proxy statement. We will deliver the requested documents promptly upon your request.

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If you and other registered stockholders with whom you share an address currently receive multiple copies of annual reports or proxy statements, or if you hold stock in the Corporation in more than one account and, in either case, you wish to receive only a single copy of the annual report or proxy statement, please contact the Corporation's transfer agent (Wells Fargo Bank, N.A., Attn: Householding,

P.O. Box 64854, St. Paul, MN 55164-0854; Telephone: 877-602-7615) with the names in which all accounts are registered and the name of the account for which you wish to receive mailings.

Quorum and Vote Required for Approval

A quorum of stockholders is necessary to hold a valid meeting. A quorum will exist if a majority of the outstanding shares is present in person or by proxy at the annual meeting. Abstentions and broker non-votes, if any, will be counted as present for purposes of establishing a quorum. A broker non-vote will occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. Inspectors of election appointed for the annual meeting will tabulate all votes cast in person or by proxy at the annual meeting.

The directors will be elected at the annual meeting by a plurality of all the votes cast (*i.e.*, the 13 nominees for director who receive the most votes will be elected). Votes to withhold authority for a nominee or nominees will have no effect on the election of directors, and it is not anticipated that there will be any broker non-votes on this proposal since brokers will have discretion to vote in the election of directors. The vote required for ratification of the appointment of KPMG LLP as the Corporation's independent public accountants for the year 2004 is the affirmative vote of a majority of the shares of common stock present in person or by proxy and entitled to vote at the annual meeting. An abstention with respect to the ratification of the appointment of KPMG LLP will have the effect of a vote against the ratification proposal, and broker non-votes will have no effect on the ratification proposal.

Solicitation of Proxies

The Corporation will pay all costs of soliciting proxies. The Corporation has retained Georgeson Shareholder Communications Inc. to assist with the solicitation of proxies for a fee not to exceed \$12,500, plus reimbursement of reasonable out-of-pocket expenses. In addition, we may also use our officers and employees to solicit proxies either personally or by telephone, Internet, letter or facsimile.

ADMITTANCE TO THE ANNUAL MEETING

Stockholders as of the record date, or their duly appointed proxies, may attend our annual meeting on April 20, 2004, and each may be accompanied by one guest. Registration will begin at 9:30 a.m., and seating will begin at 10:00 a.m. If you attend, please note that you will need an admission ticket or proof of ownership of Northern Trust common stock to enter the meeting. If you arrive at the meeting without an admission ticket, we will admit you only if we are able to verify that you are a Northern Trust stockholder. Also, you may be asked to present valid picture identification, such as a driver's license or passport. For safety and security reasons, cameras and recording devices will not be permitted in the meeting.

For registered stockholders, an admission ticket is enclosed. Please bring the admission ticket with you to the meeting.

If your shares of common stock are held by a broker, bank or other nominee in street name, your admission ticket is the left side of your voting information form. If you do not bring your admission ticket, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker is an example of proof of ownership.

ELECTION OF DIRECTORS

Stockholders will be asked to elect 13 directors at this year's annual meeting. Set forth below is detailed information with respect to the 13 nominees, 12 of whom are currently serving as directors of the Corporation and of its principal subsidiary, The Northern Trust Company (the Bank). Frederick A. Krehbiel, a director since 1988, has decided not to stand for re-election as a director at the annual meeting, and Dipak C. Jain, a new director nominee who was initially recommended to the Corporate Governance Committee by William A. Smithburg, Chairman of the Corporate Governance Committee, will stand for election to the vacated seat. Each of the 13 nominees has consented to serve as a director if elected at this year's annual meeting.

Each nominee elected as a director will serve until the next annual meeting and until his or her successor has been elected and qualified. If any nominee is unable to serve as a director at the time of the annual meeting, your proxy may be voted for the election of another nominee proposed by the board or the board may reduce the number of directors to be elected at the annual meeting.

The enclosed proxy card provides instructions on how to vote for all nominees or to withhold authority to vote for all or one or more nominees. You have cumulative voting rights in the election of directors, meaning that your total number of votes equals the number of your shares of common stock multiplied by 13, the number of directors to be elected. You may allocate these cumulative votes equally among the nominees or otherwise as you specify on the enclosed proxy card. Unless you choose a different allocation and so mark on your proxy card, it is expected that the proxy holders will allocate cumulative votes equally among all nominees for whom authority to vote has not been withheld. However, the proxy holders will have the discretion to allocate cumulative votes differently among those for whom authority to vote has not been withheld, so as to elect all or as many nominees as possible depending on the circumstances at the annual meeting. If you wish to exercise your right to cumulative voting, you must provide us with written instructions on the enclosed proxy card; you may not exercise this right by voting by telephone or through the Internet.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE.

INFORMATION ABOUT THE NOMINEES FOR DIRECTOR

The following information about the nominees for election to the board of directors of the Corporation at the 2004 annual meeting of stockholders is as of December 31, 2003, unless otherwise indicated.

DUANE L. BURNHAM, Director since 1997, Age 61

Retired Chairman and Chief Executive Officer, Abbott Laboratories since April 1999, Chairman from 1990 until that date, and Chief Executive Officer from 1990 through December 1998 (Global diversified health care products and services company).

DOLORES E. CROSS, Director since 1994, Age 66

Visiting Scholar, Professor of Education, DePaul University, since September 2003 (Educational institution); President, Morris Brown College, from June 1999 to June 2002 (Educational institution); GE Fund Distinguished Professor, The Graduate School and University Center, The City University of New York, from July 1998 to June 1999 (Educational institution); President, GE Fund from October 1997 to June 1998 (Corporate foundation with education, arts and public policy programs).

SUSAN CROWN, Director since 1997, Age 45

Vice President, Henry Crown and Company since 1984 (Company with diversified manufacturing operations, real estate and securities).

Ms. Crown is a director of Illinois Tool Works Inc. and a trustee of Yale University and Rush-Presbyterian-St. Luke's Medical Center in Chicago.

ROBERT S. HAMADA, Director since 1988, Age 66

Edward Eagle Brown Distinguished Service Professor of Finance Emeritus, Graduate School of Business, University of Chicago since August 2003; Dean from July 1993 to July 2001, and member of the Faculty since 1966 (Educational institution); Chief Executive Officer of Merchants Exchange LLC from July 2001 to September 2002 (Electronic exchange trading futures contracts and options-on-futures).

Mr. Hamada is a director of A. M. Castle & Co., Federal Signal Corp. and Fleming Companies, Inc.

ROBERT A. HELMAN, Director since 1986, Age 69

Partner, Mayer, Brown, Rowe & Maw since 1967 (Law firm).

Mr. Helman is a director of TC PipeLines GP, Inc.

DIPAK C. JAIN, Age 46

Dean, Kellogg School of Management, Northwestern University since July 2001, **Sandy and Morton Goldman Professor in Entrepreneurial Studies** since September 1994, **Professor of Marketing** since September 1993, Associate Dean for Academic Affairs from July 1996 to June 2001, and member of the Faculty since September 1986 (Educational institution); Visiting Professor of Marketing, Sasin Graduate Institute of Business Administration, Chulalongkorn University, Bangkok, Thailand since October 1989 (Educational institution).

Mr. Jain is a director of Deere & Company, Hartmarx Corporation, Peoples Energy Corporation and UAL Corp.

ARTHUR L. KELLY, Director since 1988, Age 66

Managing Partner, KEL Enterprises L.P. since 1982 (Holding and investment partnership).

Mr. Kelly is a director of BASF Aktiengesellschaft, Bayerische Motoren Werke (BMW) A.G., Deere & Company and Snap-on Incorporated.

ROBERT C. McCORMACK, Director since 2000, Age 64

Chairman since December 2003, **Co-Chairman** from 1993 to December 2003, **Managing Director** since 1993 and founding partner, **Trident Capital, Inc.** (Venture capital firm).

Mr. McCormack is a director of DeVry Inc., Illinois Tool Works Inc. and MeadWestvaco Corporation.

EDWARD J. MOONEY, Director since 1996, Age 62

Retired Délégué Général-North America since March 2001, **Suez Lyonnaise des Eaux** (Worldwide provider of energy, water, waste and communications services); **Retired Chairman and Chief Executive Officer, Nalco Chemical Company** since March 2000, Chairman and Chief Executive Officer from April 1994 until that date, and President from 1990 until December 1998 (Manufacturer of specialized service chemicals acquired by Suez Lyonnaise des Eaux in November 1999).

Mr. Mooney is a director of FMC Corporation and FMC Technologies, Inc.

WILLIAM A. OSBORN, Director since 1994, Age 56

Chairman since October 1995, **Chief Executive Officer** since June 1995 and **President** since January 2003 of the **Corporation and the Bank**.

Mr. Osborn is a director of Caterpillar Inc., NICOR, Inc., Tribune Company and a Class A Director of the Federal Reserve Bank of Chicago.

JOHN W. ROWE, Director since 2002, Age 58

Chairman and Chief Executive Officer, Exelon Corporation since April 2002, **President** from October 2000 to April 2003, and Co-Chief Executive Officer from October 2000 to April 2002 (Energy company formed through the merger of Unicom Corporation and PECO Energy Company in October 2000); Chairman, President and Chief Executive Officer of Unicom Corporation and its principal subsidiary, Commonwealth Edison Company, from March 1998 to October 2000; and President and Chief Executive Officer of New England Electric System from February 1989 to February 1998.

Mr. Rowe is a director of Sunoco Corporation and UnumProvident Corporation.

HAROLD B. SMITH, Director since 1974, Age 70

Chairman of the Executive Committee, Illinois Tool Works Inc. since 1982 (Manufacturer and marketer of engineered components and industrial systems and consumables).

Mr. Smith is a director of Illinois Tool Works Inc. and W. W. Grainger, Inc.

WILLIAM D. SMITHBURG, Director since 1981, Age 65

Retired Chairman, President and Chief Executive Officer, The Quaker Oats Company since October 1997 and from 1981 until that date, Chief Executive Officer (Worldwide manufacturer and marketer of beverages and grain-based products).

Mr. Smithburg is a director of Abbott Laboratories, Corning Incorporated and Smurfit-Stone Container Corporation.

CORPORATE GOVERNANCE

General

The Sarbanes-Oxley Act of 2002 and related rules adopted by the Securities and Exchange Commission (SEC) in 2002 and 2003 seek to protect investors by strengthening corporate governance requirements and improving the quality of corporate disclosures. In addition, on November 4, 2003, the SEC approved final corporate governance rules of The Nasdaq Stock Market, Inc. (Nasdaq) that are designed, among other things, to ensure the independence of directors, improve the ability of directors to perform their functions effectively, increase corporate accountability, and enhance investor confidence in listed companies.

The Corporation has long embraced the principles underlying the recent corporate governance initiatives. At the board's direction, the Corporation undertook a comprehensive review of its corporate governance policies, procedures and disclosures for compliance with the new requirements. As a result of this review, the Corporation has implemented several steps to re-affirm its commitment to the highest ethical standards and corporate governance best practices.

Director Independence

The board of directors has determined that, in its opinion, all current directors of the Corporation (other than William A. Osborn, the Chairman and Chief Executive Officer of the Corporation and of the Bank) are independent directors as defined under applicable Nasdaq rules. In making its determinations of independence, the board considered certain categorical standards of independence and all relevant facts and circumstances to ascertain whether there was any relationship between a director and the Corporation that, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director, or any material relationship with the Corporation (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation). In each case, the Corporation's directors, other than Mr. Osborn, could be determined to be independent under the categorical standards considered by the board, which are attached as Exhibit A to this proxy statement.

The independent directors of the Corporation have commenced meeting in regularly scheduled executive sessions separate from management. The independent directors intend to meet in such executive sessions at least twice a year. The chairman of the Corporate Governance Committee or, in his or her absence, the chairman of either the Audit, Compensation and Benefits, Business Risk, or Business Strategy Committee presides at the executive sessions of the independent directors.

Audit Committee

Current Members: Directors Burnham (Chairman), Crown, Hamada, Kelly, Mooney and Rowe

Number of Meetings in 2003: Five

Oversight Activities:

- Appoints and evaluates the performance and independence of the Corporation's independent public accountants
-

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Meets with internal audit representatives; receives and discusses the internal audit program and the results of examinations

- Meets with the Corporation's independent public accountants; reviews and discusses their reports issued with respect to the Corporation's annual financial statements and internal control structure
- Meets with banking regulators; receives and discusses results of regulatory examinations

The board of directors has determined that, in its opinion, all current members of the Corporation's Audit Committee are independent directors as defined by Nasdaq, and that Messrs. Burnham, Hamada, Mooney and Rowe are audit committee financial experts, as defined by the SEC.

The board of directors of the Corporation has adopted a formal charter that governs the duties and responsibilities of the Audit Committee. The Audit Committee charter is attached as Exhibit B to this proxy statement and is also available on the Corporation's website at www.northerntrust.com.

Compensation and Benefits Committee

Current Members: Directors Mooney (Chairman), Burnham, Crown, Kelly, Smith and Smithburg

Number of Meetings in 2003: Five

Oversight Activities:

- Meets with internal human resources representatives and outside consultants and reviews compensation policy and executive compensation levels
- Recommends stock and cash benefit and incentive plans, programs and payments
- Administers certain stock and cash benefit and incentive plans and programs
- Oversees management development and succession planning

The board of directors has determined that, in its opinion, all current members of the Corporation's Compensation and Benefits Committee are independent directors as defined by Nasdaq.

The board of directors of the Corporation has adopted a formal charter that governs the duties and responsibilities of the Compensation and Benefits Committee. The Compensation and Benefits Committee charter is available on the Corporation's website at www.northerntrust.com.

Corporate Governance Committee

Current Members: Directors Smithburg (Chairman), Burnham, Cross, Helman, Krehbiel and Smith

Number of Meetings in 2003: Four

Oversight Activities:

- Evaluates and recommends candidates for nomination to the board of directors
- Recommends structure and membership of board committees
- Considers candidates for the board recommended by stockholders

The board of directors has determined that, in its opinion, all current members of the Corporation's Corporate Governance Committee are independent directors as defined by Nasdaq.

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The board of directors of the Corporation has adopted a formal charter that governs the duties and responsibilities of the Corporate Governance Committee. The Corporate Governance Committee charter is available on the Corporation's website at www.northerntrust.com.

As set forth in its charter, the Corporate Governance Committee is responsible for considering, evaluating and recommending candidates for director. The Committee will consider persons nominated by stockholders in accordance with the nomination procedures specified in the Corporation's by-laws or otherwise recommended by stockholders. The Corporation's by-laws provide that stockholders may propose director nominations only if they give timely written notice, directed to the attention of the Corporation's Corporate Secretary at the address indicated on the first page of this proxy statement, not less than 90 days and not more than 120 days prior to the anniversary date of the prior year's annual meeting. The notice must contain the information required by the by-laws. Stockholders may recommend candidates for director by following the procedures for communicating with directors described below under Communications with

the Board and Independent Directors. The Committee uses the same process for considering, evaluating and recommending director candidates, regardless of whether a candidate is recommended by a stockholder, director, officer, third-party search firm or any other person or group.

In its evaluation of director candidates, including persons recommended by stockholders, the Committee considers the factors specified in the Corporation's Corporate Governance Guidelines, including the nature of the expertise and experience required for the performance of the duties of a director of a corporation engaged in the Corporation's business and such matters as: relevant business and industry experience; professional background; age; current employment; community service and other board service. The Committee also considers the racial, ethnic and gender diversity of the board in assessing individual candidates. The Committee seeks to identify, as candidates for director, persons with a reputation for and record of integrity and good business judgment who (i) have experience in positions with a high degree of responsibility and are leaders in the organizations with which they are affiliated, (ii) are free from conflicts of interest that could interfere with a director's duties to the Corporation and its stockholders, and (iii) are willing and able to make the necessary commitment of time and attention required for effective board service. The Committee also takes into account a candidate's level of financial literacy, and monitors the mix of skills and experience of the directors in order to assess whether the board has the necessary tools to perform its oversight function effectively. A full listing of the characteristics and qualifications of director candidates considered by the Committee is set forth in the Corporate Governance Guidelines on the Corporation's website at www.northerntrust.com. Following its evaluation process, the Committee recommends its director nominees to the full board of directors, and the board makes the final determination of director nominees based on its consideration of the Committee's recommendation and report.

Other Committees

The Corporation's board of directors has three other standing committees. The Business Strategy Committee reviews the policies, strategies and performance of the various business units of the Corporation. The Business Risk Committee reviews the risks inherent in extending credit, managing assets and liabilities, and providing fiduciary services and other related matters. The Executive Committee meets as required and may exercise the powers of the board in the management of the business and affairs of the Corporation when the board is not in session, subject to limitations imposed by law and the by-laws of the Corporation.

Meetings

The Corporation's board of directors held seven meetings during 2003. All persons who were directors during 2003 attended at least 88% of these meetings and meetings of committees on which they served. All of the directors attended the 2003 annual meeting of stockholders.

Communications with the Board and Independent Directors

Stockholders and other interested persons may communicate any concerns they may have regarding the Corporation, including recommendations of candidates for director, to the board of directors or to any member of the board of directors by writing to them at the following address:

Northern Trust Corporation

Attention: [Board of Directors]/[Board Member]

c/o Corporate Secretary

Northern Trust Corporation

Fifty South LaSalle Street, M-9

Chicago, Illinois 60675

Communications directed to the independent directors should be sent to the attention of the Chairman of the Corporate Governance Committee, c/o the Corporation's Corporate Secretary, at the address indicated above.

Any stockholder or other interested person who has a particular concern regarding accounting, internal accounting controls or other audit matters that he or she wishes to bring to the attention of the Audit Committee of the board of directors may communicate those concerns to the Audit Committee or its Chairman, using the address indicated above.

A majority of the independent directors of the Corporation have approved procedures with respect to the receipt, review and processing of, and any response to, written communications sent by stockholders and other interested persons to the board of directors. Any written communication regarding accounting, internal accounting controls or other matters are processed in accordance with procedures adopted by the Audit Committee.

Corporate Governance Guidelines

The Corporation first adopted Corporate Governance Guidelines in May 2000. The Corporate Governance Committee is responsible for reviewing and reassessing at least annually the adequacy of the Corporate Governance Guidelines and recommending any changes to the board of directors for its approval. The Corporation most recently amended and restated its Corporate Governance Guidelines in February 2004. The amended and restated Corporate Governance Guidelines embody many of the Corporation's long-standing practices and incorporate new policies and procedures that strengthen its commitment to corporate governance best practices. A copy of the amended and restated Corporate Governance Guidelines is available on the Corporation's website at www.northerntrust.com.

Code of Business Conduct and Ethics

The board of directors of the Corporation has adopted a Code of Business Conduct and Ethics to (i) promote honest and ethical conduct, including fair dealing and the ethical handling of actual or apparent conflicts of interest, (ii) promote full, fair, accurate, timely and understandable disclosure, (iii) promote compliance with applicable laws and governmental rules and regulations, (iv) ensure the protection of the Corporation's legitimate business interests, including corporate opportunities, assets and confidential information and (v) deter wrongdoing. The Code satisfies applicable SEC and Nasdaq requirements and applies to all directors, officers (including the Corporation's principal executive officer, principal financial officer, principal accounting officer and controller) and employees of the Corporation and its subsidiaries. A copy of the Code is available on the Corporation's website at www.northerntrust.com. The Corporation intends to disclose any amendments to the Code, and all waivers from the Code for directors and executive officers, by posting such information on its website.

ADDITIONAL INFORMATION ABOUT THE BOARD AND MANAGEMENT

Director Compensation

In 2003, non-employee directors received the following fees for their service on the board:

Annual Retainer	\$ 40,000
For Each Board and Committee Meeting Attended	\$ 1,500

The chairman of each committee other than the Executive Committee received an additional annual retainer of \$5,000 in 2003. All non-employee directors are also eligible to receive a per diem fee of \$1,000 when required to attend orientation meetings or to perform specific services on behalf of the Corporation. The Corporation paid \$1,500 for such services in 2003. All cash compensation for non-employee directors will remain the same in 2004, except that (i) the chairman of each committee other than the Executive Committee will receive an additional annual retainer of \$10,000 and (ii) each member of the Audit Committee (including the Audit Committee chairman) will receive an additional annual retainer of \$5,000.

In January 2003, each non-employee director received a grant of 2,400 stock units under the Northern Trust Corporation 2002 Stock Plan (the 2002 Plan), with 800 stock units vesting upon election or re-election as a director of the Corporation in each of the years 2003, 2004 and 2005. Any additional non-employee directors elected during this period will receive a similar award, prorated for time served on the board during the three-year time period. A non-employee director will receive one share of common stock for each stock unit upon vesting of the stock units. Dividend equivalents on the stock units are paid on a current basis unless, as described below, the non-employee director elects to defer the stock units.

Non-employee directors may elect to defer payment of their cash compensation and stock units until termination of their service as directors. Any deferred cash compensation is converted into stock units representing shares of common stock. The value of each stock unit is based upon the market price of the stock at the end of the calendar quarter for which the cash compensation would have been paid. Dividend equivalents on all deferred stock units are paid quarterly to a cash account and accrue interest at an interest rate determined from time to time by the Compensation and Benefits Committee. Deferred cash compensation and dividend equivalents will be paid out in cash, and deferred stock units will be distributed in stock, in each case in a lump sum or in up to ten annual installments at the election of the director.

Directors who are also employees receive no additional compensation for serving on the board or its committees.

Services Provided by the Corporation to Directors and Executive Officers

Directors and executive officers of the Corporation, as well as members of their immediate families and various corporations and other entities associated with the directors, were clients of and had transactions with the Corporation and its subsidiaries in the ordinary course of business during 2003. These transactions included loans; purchases, sales and placements of investment securities and other financial instruments; fiduciary transactions; deposits; and other purchase, sale and finance transactions. Similar transactions may occur in the ordinary course of business in the future. All loans were made on a non-preferential basis and did not involve more than the normal risk of collectibility or present other unfavorable terms. All loans made to directors and executive officers of the Corporation are permitted under the provisions of the Sarbanes-Oxley Act of 2002. Transactions in 2003 involving services provided by the Corporation to its directors and executive officers did not

result in payments or fees that were material to the gross revenues of the Corporation.

Other Business Relationships

In the ordinary course of business, the Corporation uses the products and services of organizations of which the Corporation's directors are directors or executive officers. Transactions in 2003 involving the purchase of products and services did not result in payments that were material to the gross revenues of the organization with which a director was associated. Mr. Helman, a director of the Corporation, is a partner in the law firm of Mayer, Brown, Rowe & Maw, which renders legal services to the Corporation and its subsidiaries.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors and executive officers, and beneficial owners of more than 10% of the Corporation's stock, if any, to file with the SEC initial reports of ownership and reports of changes in ownership of any securities of the Corporation. Copies of these reports must also be provided to the Corporation.

To the Corporation's knowledge, all the Corporation's directors, executive officers and beneficial owners of more than 10% of the Corporation's stock made on a timely basis all filings required during 2003, except that (i) Alison A. Winter, an Executive Vice President of the Corporation, filed two late Form 4s with respect to the sale of 8,000 shares in January 2003 and the sale of 1,000 shares in July 2003, and (ii) Frederick H. Waddell, an Executive Vice President of the Corporation, filed a late Form 4 with respect to the sale of 2,235 shares in May 2003 in connection with a stock option exercise that was timely filed on a separate Form 4. In making these disclosures, the Corporation relied on copies of the reports provided to the Corporation and written representations that no other reports were required.

Compensation and Benefits Committee Interlocks and Insider Participation

None of the members of the Compensation and Benefits Committee is or ever was an officer or employee of the Corporation or any of its subsidiaries. Members of the committee, as well as members of their immediate families and various corporations and other entities associated with such members, may have loans with the Bank and other transactions with the Corporation and its subsidiaries. All loans were made on a non-preferential basis and did not involve more than the normal risk of collectibility or present other unfavorable terms. All loans made to members of the Compensation and Benefits Committee are permitted under the provisions of the Sarbanes-Oxley Act of 2002.

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the beneficial ownership of the Corporation's common stock for each director and director nominee, each executive officer named in the Summary Compensation Table elsewhere in this proxy statement and all directors and executive officers of the Corporation as a group, as of December 31, 2003.

Common Stock Owned(1) and Stock
Units Held(2) as of December 31, 2003

Name	No. of Shares	Percent of Class of Common Stock	No. of Stock Units
Duane L. Burnham	2,000	*	16,079
Dolores E. Cross	2,200	*	15,460
Susan Crown	10,800	*	4,000
Robert S. Hamada	12,200	*	8,856
Robert A. Helman	7,200	*	15,615
Dipak C. Jain	(3)	*	0
Arthur L. Kelly	88,866	*	12,721
Frederick A. Krehbiel	24,600	*	4,800
Robert C. McCormack	10,259,076(4)	4.66%	4,800
Edward J. Mooney	7,200	*	2,400
William L. Morrison	209,620(5)	*	39,000
William A. Osborn	1,623,373(5)	*	260,967
Perry R. Pero	1,067,640(5)	*	100,775
Peter L. Rossiter	560,251(5)	*	53,000
John W. Rowe	1,000	*	5,833
Harold B. Smith	13,889,902(6)	6.31%	1,600
William D. Smithburg	8,300	*	53,571
Mark Stevens	667,732(5)	*	0
Stephen B. Timbers	441,161(5)	*	62,000
All directors and executive officers as a group	25,010,484(5)(6)	11.36%	850,477

*Less than one percent of the outstanding common stock.

Following are footnotes to the table on the preceding page:

(1) The information contained in this table was furnished to the Corporation by the individuals named in the table and reflects the SEC's definition of beneficial ownership. Except as noted below, the nature of beneficial ownership for shares shown in this table is sole voting and/or investment power (including shares as to which spouses and minor children of the individuals covered by this table have such power).

(2) Stock units held by certain non-employee directors represent stock units under the 1997 Deferred Compensation Plan for Non-Employee Directors, as amended, which include amounts deferred under certain prior deferred compensation plans, and stock units granted under various plans as described under Information About the Board and Committees Director Compensation. All stock units shown in the table are vested except for 1,600 unvested stock units held by each non-employee director and the following unvested stock units held by the named executive officers: Mr. Morrison, 39,000 unvested stock units; Mr. Osborn, 111,000 unvested stock units; Mr. Pero, 46,775 unvested stock units; Mr. Rossiter, 53,000 unvested stock units; and Mr. Timbers, 62,000 unvested stock units. Stock units held by directors and executive officers do not have voting rights.

(3) As of March 1, 2004, the record date for the annual meeting, Mr. Jain owned 1,000 shares of Common Stock.

(4) Robert C. McCormack, as co-trustee with the Bank, Harold B. Smith and one other individual, shares voting and investment power for 5,164,056 shares or 2.35% of the outstanding common stock. As co-trustee with the Bank, he shares voting and investment power for 2,234,704 or 1.02% of the outstanding common stock. With respect to 117,000 shares or .05%, he serves as co-trustee with the Bank and has sole voting and investment power. In addition, Mr. McCormack has sole voting and investment power as to 2,710,712 shares or 1.23% of the outstanding common stock that are held in a family partnership of which he