



Liquidity Management

Alexander Hamilton Best Practices Conference

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Northern Trust



Overview of Northern Trust



Focus, stability and progress define Northern Trust, a claim we support with key measures of success.

Founded in 1889, Northern Trust is a leader in global custody, fund administration, investment and information technology services on a worldwide basis.

We operate service and product centers in Abu Dhabi, Amsterdam, Australia, Bangalore, Beijing, Chicago, Dublin, Guernsey, Hong Kong, Jersey, Limerick, London, Luxembourg, New York, Singapore, Toronto and Tokyo.

Assets under Custody	US\$ 4.0 Trillion
Assets under Management	US\$ 751.4 Billion
Average Corporate Assets	US\$ 71.3 Billion
Market Capitalization	US\$ 15.1 Billion
Worldwide Staff	11,797*
Closely Held Ownership Structure	14% held by employees, and directors retirees
Technology And Operations That Span All Countries And Time Zones	Clients in over 40 countries Services in 94 markets in 89 countries

*Full Time employees



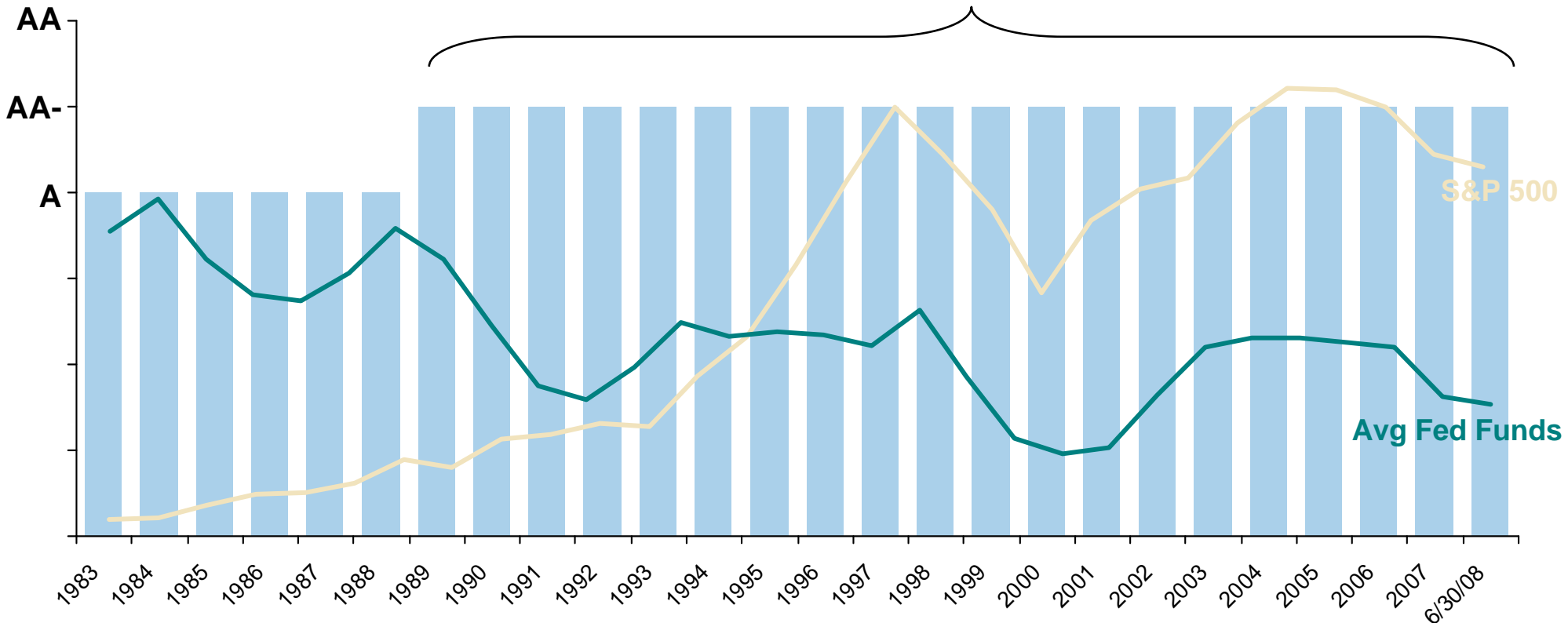
Stable Credit Rating History Over the Long-Term

"A bank for all business cycles"

Northern Trust Corporation:
AA- Rating for 20+ Years

The Northern Trust Company:
Upgraded to AA on May 30, 2008

Standard & Poor's Senior Debt Rating



As at 30 June 2008 (updated on a quarterly basis)
Source: Northern Trust Investor Relations





- **Sub Prime Market Fallout**

- **U.S. Recession Would Hit China - And Send The Dollar Plummeting**

- **Credit Crunch to Slow, Not Stop, Global Growth**
 - ◆ **IMF : 'Unsettled' Conditions Likely to Serve as Economic Backdrop in Near Term**

- **Dollar Hits New Low vs. Euro, Drifts Down vs. Yen:**

- **Were you ready for what happened?**

Are you ready for what may happen next?



- **Global Markets in Turmoil – Equity Markets Down 30-40%**
- **Global Governments Bailout Financial Systems, U.S. (TARP \$700BN), UK, Germany, Switzerland, Others + Central Banks Pump Liquidity into the Markets/Reduce Interest Rates**
- **Bear Stearns and Lehman Brothers Fail, Merrill Lynch Merges w/BOA, Morgan Stanley and Goldman Sachs Raise More Capital/Convert to Bank Holding Companies – Wall Street Investment Bank Model Changed**
- **10 Years of Financial Services Industry Consolidation Seen in a Matter of Months**
- **Were you ready for what happened?**

Are you ready for what may happen next?





Financial Institution Write-Downs – Over \$680 Billion to Date

Firm	Write-down (Billions USD)	Capital Raised (Billions USD)
Wachovia Corporation	96.5	11.0
Citigroup	68.1	74.0
Merrill Lynch	58.1	29.9
Washington Mutual	45.6	12.1
UBS	44.2	31.4
HSBC Holdings	27.4	5.0
Bank of America	27.4	55.7
National City Corp.	26.2	8.9
JPMorgan Chase & Co.	20.5	44.7
Wells Fargo & Co.	17.7	30.8

Data Source: Bloomberg



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Swap Spreads – Stress Remains in the Financial System



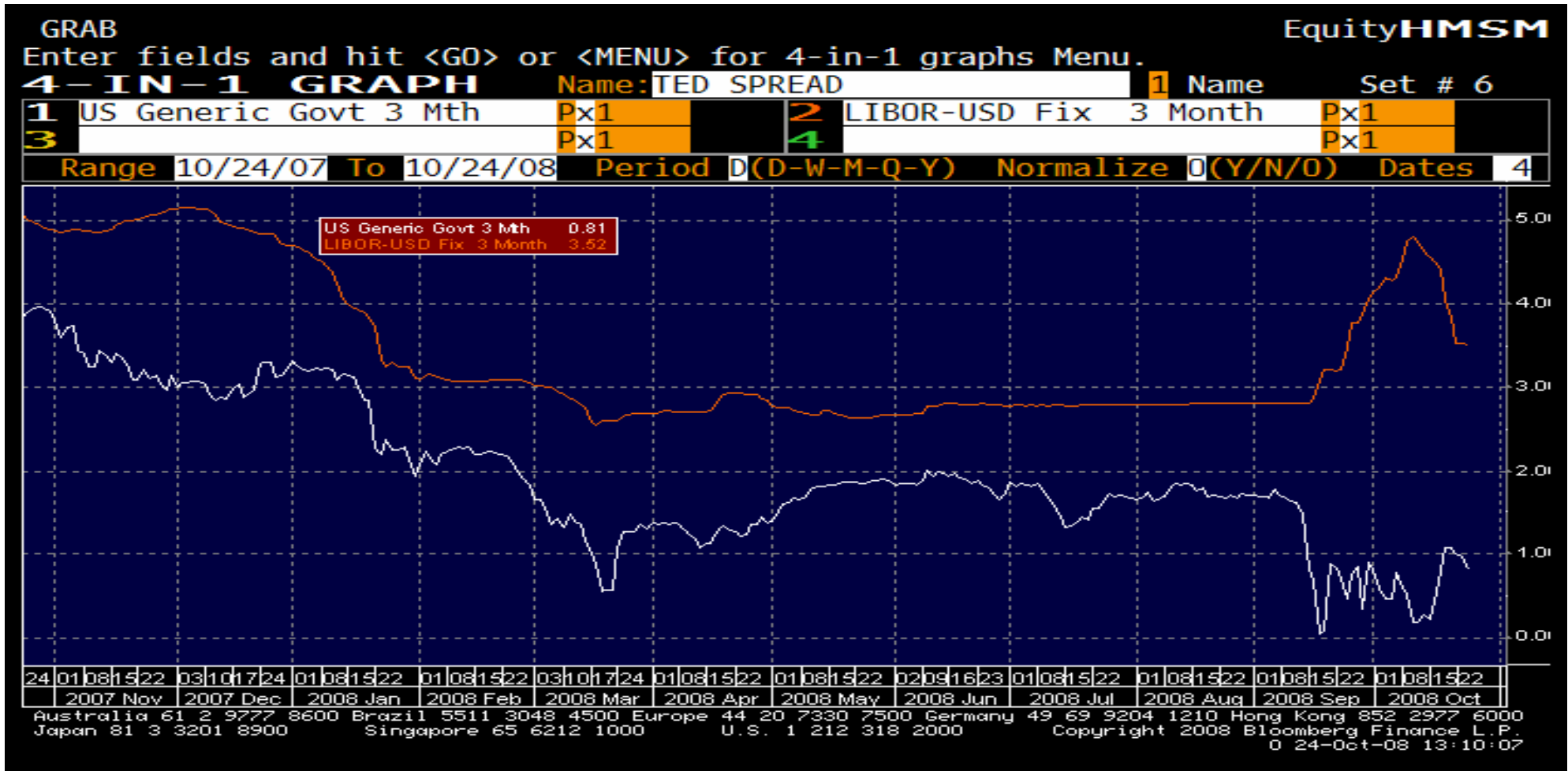
A swap spread is a measure of risk that compares the difference between the swap rate and the yield of an on-the-run government bond of equal maturity. It is a “quality spread” that represents the default premium than an AA-rated entity pays above the default-free rate.

Data Source: Bloomberg





TED Spread – Credit Risks Remain Elevated



The TED Spread is used as a good indicator of credit risk. As the TED spread increases, default risk is considered to be increasing. It represents the price difference between the 3-month Treasury Bill and 3-month LIBOR. The TED Spread is an example of the degree to which banks are willing to lend to each other.

Data Source: Bloomberg



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- Liquidity Management – What Does it Mean to You?
- Cash Management
- Investment Management
- Debt Management
- Infrastructure Management
- Relationship Management
- Supply Chain Management
- Other?





■ Agenda

- ◆ Presentations and Awards
- ◆ Liquidity Management Panel Discussion

■ Panel Discussion Themes

- ◆ Global Capital Market Fallout/Credit Crisis & Economic Impact
- ◆ Globalization of Liquidity Management Programs
 - ▶ Cash Management
 - ▶ Debt Management
 - ▶ Investment Management
- ◆ Role of Technology in Liquidity Management
- ◆ Q and A





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The information in this presentation reflects prevailing market conditions and our judgment as of this date, which are subject to change. In preparing this presentation we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

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