

NORTHERN TRUST CORP
Form 10-Q
July 31, 2007

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 June 30, 2007

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
(State or other jurisdiction of
incorporation or organization)

50 South LaSalle Street

36-2723087
(I.R.S. Employer
Identification No.)

60603

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Chicago, Illinois
(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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

220,093,384 Shares \$1.66 2/3 Par Value

(Shares of Common Stock Outstanding on June 30, 2007)

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

NORTHERN TRUST CORPORATION

(\$ In Millions Except Share Information)	June 30 2007	December 31 2006	June 30 2006
Assets			
Cash and Due from Banks	\$ 3,519.0	\$ 4,961.0	\$ 4,356.7
Federal Funds Sold and Securities Purchased under Agreements to Resell	881.0	1,299.7	1,672.1
Time Deposits with Banks	14,696.1	15,468.7	12,020.6
Other Interest-Bearing Securities	21.7	21.9	27.4
Available for Sale	11,476.4	11,249.6	9,399.9
Held to Maturity (Fair value \$1,124.1 at June 2007, \$1,122.1 at December 2006, \$1,116.3 at June 2006)	1,121.7	1,107.0	1,112.7
Trading Account	7.1	8.6	9.9
Total Securities	12,605.2	12,365.2	10,522.5
Loans and Leases			
Commercial and Other	15,215.2	13,935.3	12,699.8
Residential Mortgages	8,829.7	8,674.4	8,597.4
Total Loans and Leases (Net of unearned income \$549.4 at June 2007, \$507.9 at December 2006, \$472.6 at June 2006)	24,044.9	22,609.7	21,297.2
Reserve for Credit Losses Assigned to Loans and Leases	(139.3)	(140.4)	(133.5)
Buildings and Equipment	486.1	487.2	463.2
Customers' Acceptance Liability	.5	1.2	.4
Trust Security Settlement Receivables	515.5	339.3	255.2
Other Assets	2,979.0	3,298.7	2,844.1
Total Assets	\$ 59,609.7	\$ 60,712.2	\$ 53,325.9
Liabilities			
Deposits			
Demand and Other Noninterest-Bearing	\$ 5,162.6	\$ 5,434.0	\$ 4,825.1
Savings and Money Market	7,549.3	6,297.6	6,338.3
Savings Certificates	2,006.3	1,999.3	1,595.0
Other Time	630.2	459.6	380.5
Non-U.S. Offices Demand	3,063.3	3,880.9	2,219.7
Time	27,450.3	25,748.8	23,324.5
Total Deposits	45,862.0	43,820.2	38,683.1
Federal Funds Purchased	881.2	2,821.6	1,123.8
Securities Sold Under Agreements to Repurchase	1,860.9	1,950.5	1,719.6
Other Borrowings	1,193.8	2,976.5	2,809.7
Senior Notes	449.7	445.4	283.5
Long-Term Debt	2,334.6	2,307.9	2,666.5
Floating Rate Capital Debt	276.5	276.5	276.4
Liability on Acceptances	.5	1.2	.4
Other Liabilities	2,523.3	2,168.5	1,954.5

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Total Liabilities	55,382.5	56,768.3	49,517.5
Stockholders' Equity			
Common Stock, \$1.66 2/3 Par Value; Authorized 560,000,000 shares; Outstanding 220,093,384 shares at June 2007, 218,700,956 shares at December 2006, and 217,914,130 shares at June 2006	379.8	379.8	379.8
Additional Paid-In Capital	47.3	30.9	32.3
Retained Earnings	4,340.7	4,131.2	3,902.8
Accumulated Other Comprehensive Income	(146.8)	(148.6)	(23.2)
Treasury Stock (at cost, 7,828,140 shares at June 2007, 9,220,568 shares at December 2006, and 10,007,394 shares at June 2006)	(393.8)	(449.4)	(483.3)
Total Stockholders' Equity	4,227.2	3,943.9	3,808.4
Total Liabilities and Stockholders' Equity	\$ 59,609.7	\$ 60,712.2	\$ 53,325.9

CONSOLIDATED STATEMENT OF INCOME

NORTHERN TRUST CORPORATION

(\$ In Millions Except Per Share Information)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Noninterest Income				
Trust, Investment and Other Servicing Fees	\$ 532.7	\$ 452.8	\$ 1,021.6	\$ 895.3
Foreign Exchange Trading Income	81.0	84.4	148.2	140.2
Treasury Management Fees	16.4	16.7	32.6	33.7
Security Commissions and Trading Income	15.0	16.0	29.0	31.6
Other Operating Income	28.7	23.2	55.8	44.6
Investment Security Gains, net		.2	.1	.3
Total Noninterest Income	673.8	593.3	1,287.3	1,145.7
Net Interest Income				
Interest Income	664.3	540.8	1,300.6	1,017.9
Interest Expense	469.1	357.9	910.7	659.7
Net Interest Income	195.2	182.9	389.9	358.2
Provision for Credit Losses	4.0	3.0	4.0	7.0
Net Interest Income after Provision for Credit Losses	191.2	179.9	385.9	351.2
Noninterest Expenses				
Compensation	251.4	221.1	496.1	437.8
Employee Benefits	58.7	55.9	115.3	111.2
Outside Services	93.7	76.6	177.8	151.5
Equipment and Software Expense	55.6	49.1	106.5	97.0
Occupancy Expense	42.1	39.2	80.1	74.3
Other Operating Expenses	53.8	50.1	105.4	93.5
Total Noninterest Expenses	555.3	492.0	1,081.2	965.3
Income before Income Taxes	309.7	281.2	592.0	531.6
Provision for Income Taxes	102.8	113.3	198.4	200.7
Net Income	\$ 206.9	\$ 167.9	\$ 393.6	\$ 330.9
Per Common Share				
Net Income				
Basic	\$.94	\$.77	\$ 1.80	\$ 1.52
Diluted	.92	.76	1.76	1.49
Cash Dividends Declared	.25	.23	.50	.46
Average Number of Common Shares Outstanding Basic	219,632,587	217,785,721	219,218,804	217,716,242
Diluted	224,187,331	221,589,312	223,692,112	221,532,654

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NORTHERN TRUST CORPORATION

(\$ In Millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net Income	\$ 206.9	\$ 167.9	\$ 393.6	\$ 330.9
Other Comprehensive Income (net of tax and reclassifications)				
Net Unrealized Gains (Losses) on Securities Available for Sale	(1.9)	.3	(.4)	(1.5)
	.4	2.1	(.8)	1.6

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Net Unrealized Gains (Losses) on Cash Flow Hedge

Designations

Foreign Currency Translation Adjustments	4.8	1.4	(2.9)	(4.6)
Pension and Other Postretirement Benefit Adjustments	4.4		5.9	

Other Comprehensive Income	7.7	3.8	1.8	(4.5)
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Comprehensive Income	\$	214.6	\$	171.7	\$	395.4	\$	326.4
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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY NORTHERN TRUST CORPORATION

(In Millions)	Six Months	
	Ended June 30	
	2007	2006
Common Stock		
Balance at January 1 and June 30	\$ 379.8	\$ 379.8
Additional Paid-In Capital		
Balance at January 1	30.9	
Transferred from Common Stock Issuable Stock Incentive Plans		55.5
Transferred from Deferred Compensation		(29.5)
Treasury Stock Transaction Stock Options and Awards	(24.5)	(28.7)
Stock Options and Awards Amortization	25.4	22.1
Stock Options and Awards Taxes	15.5	12.9
Balance at June 30	47.3	32.3
Retained Earnings		
Balance at January 1, as Previously Reported	4,131.2	3,672.1
Adjustment for the Cumulative Effect of Applying FSP 13-2 (Note 2)	(73.4)	
Balance at January 1, as Restated	4,057.8	3,672.1
Net Income	393.6	330.9
Dividends Declared Common Stock	(110.7)	(100.2)
Balance at June 30	4,340.7	3,902.8
Accumulated Other Comprehensive Income		
Balance at January 1	(148.6)	(18.7)
Other Comprehensive Income (Loss)	1.8	(4.5)
Balance at June 30	(146.8)	(23.2)
Common Stock Issuable Stock Incentive Plans		
Balance at January 1		55.5
Transferred to Additional Paid-in Capital		(55.5)
Balance at June 30		
Deferred Compensation		
Balance at January 1		(29.5)
Transferred to Additional Paid-in Capital		29.5
Balance at June 30		
Treasury Stock		
Balance at January 1	(449.4)	(458.4)
Stock Options and Awards	109.6	76.6
Stock Purchased	(54.0)	(101.5)
Balance at June 30	(393.8)	(483.3)
Total Stockholders' Equity at June 30	\$ 4,227.2	\$ 3,808.4

CONSOLIDATED STATEMENT OF CASH FLOWS

NORTHERN TRUST CORPORATION

(In Millions)	Six Months Ended June 30	
	2007	2006
Cash Flows from Operating Activities:		
Net Income	\$ 393.6	\$ 330.9
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Credit Losses	4.0	7.0
Depreciation on Buildings and Equipment	40.3	40.4
Amortization of Computer Software	48.3	43.8
Amortization of Intangibles	10.5	10.9
(Increase) Decrease in Receivables	19.5	(71.1)
Decrease in Interest Payable	(8.0)	(8.4)
Amortization and Accretion of Securities and Unearned Income	(134.6)	(60.7)
Net (Increase) Decrease in Trading Account Securities	1.5	(7.1)
Other Operating Activities, net	(7.7)	(102.1)
Net Cash Provided by Operating Activities	367.4	183.6
Cash Flows from Investing Activities:		
Net Decrease in Federal Funds Sold and Securities Purchased under Agreements to Resell	418.7	3,173.0
Net (Increase) Decrease in Time Deposits with Banks	772.6	(897.5)
Net Decrease in Other Interest-Bearing Assets	.2	40.1
Purchases of Securities-Held to Maturity	(69.4)	(27.2)
Proceeds from Maturity and Redemption of Securities-Held to Maturity	57.2	53.6
Purchases of Securities-Available for Sale	(40,874.6)	(54,913.4)
Proceeds from Sale, Maturity and Redemption of Securities-Available for Sale	40,762.2	55,498.7
Net Increase in Loans and Leases	(1,507.3)	(1,302.3)
Purchases of Buildings and Equipment, net	(39.1)	(32.1)
Purchases and Development of Computer Software	(85.3)	(73.0)
Net (Increase) Decrease in Trust Security Settlement Receivables	(176.2)	61.8
Other Investing Activities, net	331.7	(391.9)
Net Cash Provided by (Used in) Investing Activities	(409.3)	1,189.8
Cash Flows from Financing Activities:		
Net Increase in Deposits	2,041.8	163.6
Net Increase (Decrease) in Federal Funds Purchased	(1,940.4)	26.9
Net Increase (Decrease) in Securities Sold under Agreements to Repurchase	(89.6)	108.8
Net Decrease in Commercial Paper		(144.6)
Net Increase (Decrease) in Short-Term Other Borrowings	(1,770.6)	162.8
Proceeds from Term Federal Funds Purchased	13.0	4.0
Repayments of Term Federal Funds Purchased	(25.0)	(5.0)
Proceeds from Senior Notes & Long-Term Debt	650.0	200.0
Repayments of Senior Notes & Long-Term Debt	(629.8)	(368.2)
Treasury Stock Purchased	(50.7)	(98.4)
Net Proceeds from Stock Options	78.7	45.0
Excess Tax Benefits from Stock Incentive Plans	19.1	12.9
Cash Dividends Paid on Common Stock	(109.5)	(100.3)
Other Financing Activities, net	401.9	(119.3)
Net Cash Used in Financing Activities	(1,411.1)	(111.8)
Effect of Foreign Currency Exchange Rates on Cash	11.0	98.9
Increase (Decrease) in Cash and Due from Banks	(1,442.0)	1,360.5
Cash and Due from Banks at Beginning of Year	4,961.0	2,996.2

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Cash and Due from Banks at End of Period	\$ 3,519.0	\$ 4,356.7
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ 918.7	\$ 668.1
Income Taxes Paid	134.4	199.2

Notes to Consolidated Financial Statements

1. Basis of Presentation The consolidated financial statements include the accounts of Northern Trust Corporation (Corporation) and its subsidiaries (collectively, Northern Trust), all of which are wholly-owned. Significant intercompany balances and transactions have been eliminated. The consolidated financial statements, as of June 30, 2007 and 2006, have not been audited by the Corporation's independent registered public accounting firm. In the opinion of management, all accounting entries and adjustments, including normal recurring accruals, necessary for a fair presentation of the financial position and the results of operations for the interim periods have been made. Effective in 2007, expenses associated with outside services purchased, previously included as a component of other operating expenses within the consolidated statement of income, are now included as a separate component of noninterest expenses due to the increased significance of this expense category. The amortization of capitalized software, also previously included as a component of other operating expenses, is included as a component of equipment and software expense, effective in 2007, in order to better align the nature of this expense with its income statement classification. All prior period amounts have been reclassified consistent with the current presentations. For a description of Northern Trust's significant accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements in the 2006 Financial Annual Report to Shareholders.

2. Recent Accounting Pronouncements On July 13, 2006, the Financial Accounting Standards Board (FASB) issued Staff Position No. FAS 13-2, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction (FSP 13-2), which amends FASB Statement No. 13, Accounting for Leases. This Staff Position addresses how a change or projected change in the timing of cash flows relating to income taxes generated by a leveraged lease affects the accounting by a lessor for that lease. FSP 13-2 requires a recalculation of the rate of return and allocation of income from the inception of a leveraged lease if, during the lease term, the expected timing of the income tax cash flows generated by a leveraged lease is revised. The recalculation includes actual cash flows that occurred up to the date of the recalculation and projected cash flows thereafter. The change in the leveraged lease net investment balances as a result of the recalculation is recognized as a gain or loss in the year that the estimated cash flows change. In accordance with FSP 13-2, the cumulative effect of applying the provisions of this Staff Position was reported as an adjustment to the beginning balance of Northern Trust's retained earnings upon its January 1, 2007 adoption. Based on estimates relating to the outcome of future events, adoption as of January 1, 2007 reduced Northern Trust's stockholders' equity by \$73.4 million and is expected to reduce 2007 net income by approximately \$8.5 million. Year to date, the adoption of FSP 13-2 has reduced net income by approximately \$4.5 million. These amounts will be recognized into income over the remaining terms of the affected leveraged leases.

3. Stock-Based Compensation Plans The Amended and Restated Northern Trust Corporation 2002 Stock Plan (2002 Plan) provides for the grant of nonqualified stock options, incentive stock options, stock appreciation rights, stock awards, stock units, and performance shares. There were no share-based grants during the three months ended June 30, 2007.

Notes to Consolidated Financial Statements (continued)

Total compensation expense for share-based payment arrangements and the associated tax benefits recognized were as follows:

(\$ In Millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Stock Options	\$ 2.8	\$ 2.7	\$ 12.0	\$ 12.9
Stock and Stock Unit Awards	2.9	4.0	6.7	8.0
Performance Stock Units	2.9	.6	5.2	.9
Total Share-Based Compensation Expense	\$ 8.6	\$ 7.3	\$ 23.9	\$ 21.8
Tax Benefits Recognized	\$ 3.2	\$ 2.8	\$ 9.0	\$ 8.3

4. Securities The following table summarizes the book and fair values of securities.

(In Millions)	June 30, 2007		December 31, 2006		June 30, 2006	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Available for Sale						
U.S. Government	\$ 5.1	\$ 5.1	\$ 1.0	\$ 1.0	12.8	\$ 12.8
Obligations of States and Political Subdivisions	31.2	31.2	31.7	31.7	31.0	31.0
Government Sponsored Agency	10,333.5	10,333.5	10,245.1	10,245.1	8,534.8	8,534.8
Preferred Stock	9.8	9.8	9.8	9.8	9.8	9.8
Asset-Backed	898.6	898.6	767.4	767.4	633.3	633.3
Other	198.2	198.2	194.6	194.6	178.2	178.2
Subtotal	11,476.4	11,476.4	11,249.6	11,249.6	9,399.9	9,399.9
Held to Maturity						
Obligations of States and Political Subdivisions	852.5	865.3	863.8	888.5	868.9	881.3
Government Sponsored Agency	14.2	13.8	14.6	14.5	9.3	8.8
Other	255.0	245.0	228.6	219.1	234.5	226.2
Subtotal	1,121.7	1,124.1	1,107.0	1,122.1	1,112.7	1,116.3
Trading Account	7.1	7.1	8.6	8.6	9.9	9.9
Total Securities	\$ 12,605.2	\$ 12,607.6	\$ 12,365.2	\$ 12,380.3	\$ 10,522.5	\$ 10,526.1

Reconciliation of Amortized Cost to Fair Values of Securities Available for Sale

(In Millions)	Amortized Cost	June 30, 2007 Gross Unrealized		Fair Value
		Gains	Losses	
U.S. Government	\$ 5.1	\$	\$	\$ 5.1
Obligations of States and Political Subdivisions	30.6	.6		31.2
Government Sponsored Agency	10,342.3	2.4	11.2	10,333.5
Preferred Stock	9.8			9.8
Asset-Backed	900.1	.2	1.7	898.6
Other	186.1	12.1		198.2

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Total	\$ 11,474.0	\$ 15.3	\$ 12.9	\$ 11,476.4
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Notes to Consolidated Financial Statements (continued)

(In Millions)	Book Value	June 30, 2007 Gross Unrealized		Fair Value
		Gains	Losses	
Obligations of States and Political Subdivisions	\$ 852.5	\$ 16.4	\$ 3.6	\$ 865.3
Government Sponsored Agency	14.2		.4	13.8
Other	255.0		10.0	245.0
Total	\$ 1,121.7	\$ 16.4	\$ 14.0	\$ 1,124.1

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

(In Millions)	June 30, 2007	December 31, 2006	June 30, 2006
U.S.			
Residential Real Estate	\$ 8,829.7	\$ 8,674.4	\$ 8,597.4
Commercial	5,017.0	4,679.1	4,262.0
Commercial Real Estate	2,006.4	1,836.3	1,674.6
Personal	3,370.5	3,415.8	2,995.8
Other	885.9	979.2	889.7
Lease Financing	1,142.4	1,291.6	1,219.3
Total U.S.	21,251.9	20,876.4	19,638.8
Non-U.S.	2,793.0	1,733.3	1,658.4
Total Loans and Leases	\$ 24,044.9	\$ 22,609.7	\$ 21,297.2
Reserve for Credit Losses Assigned to Loans and Leases	(139.3)	(140.4)	(133.5)
Net Loans and Leases	\$ 23,905.6	\$ 22,469.3	\$ 21,163.7

Other U.S. loans and non-U.S. loans included \$2.5 billion at June 30, 2007, \$1.7 billion at December 31, 2006, and \$1.6 billion at June 30, 2006 of short duration advances, primarily related to the processing of custodied client investments.

The following table shows outstanding amounts of nonperforming and impaired loans for the quarters ended June 30, 2007 and 2006.

(In Millions)	June 30, 2007	June 30, 2006
Nonperforming Loans	\$ 26.8	\$ 30.1
Impaired Loans with Reserves	\$ 18.4	\$ 26.8
Impaired Loans without Reserves*	6.1	.1
Total Impaired Loans	\$ 24.5	\$ 26.9
Reserves for Impaired Loans	\$ 14.5	\$ 20.0
Average Balance of Impaired Loans during the Quarter	28.6	25.3

* When an impaired loan's discounted cash flows, collateral value, or market price equals or exceeds its carrying value, a reserve is not required.

Notes to Consolidated Financial Statements (continued)

At June 30, 2007, residential real estate loans totaling \$2.1 million were held for sale and carried at the lower of cost or market. Loan commitments for residential real estate loans that will be held for sale when funded are carried at fair value and had a total notional amount of \$10.3 million at June 30, 2007. All other loan commitments are carried at the amount of unamortized fees with a reserve for credit loss liability recognized for any probable losses. At June 30, 2007, legally binding commitments to extend credit totaled \$21.4 billion compared with \$20.0 billion at December 31, 2006 and \$18.7 billion at June 30, 2006.

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

(In Millions)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2007	2006	2007	2006
Balance at Beginning of Period	\$ 148.8	\$ 139.9	\$ 151.0	\$ 136.0
Charge-Offs	(2.4)	(.2)	(4.7)	(.6)
Recoveries	.1	.7	.2	1.0
Net Recoveries (Charge-Offs)	(2.3)	.5	(4.5)	.4
Provision for Credit Losses	4.0	3.0	4.0	7.0
Other Changes *		.1		.1
Balance at End of Period	\$ 150.5	\$ 143.5	\$ 150.5	\$ 143.5
Reserve for Credit Losses Assigned to:				
Loans and Leases	\$ 139.3	\$ 133.5	\$ 139.3	\$ 133.5
Unfunded Commitments and Standby Letters of Credit	11.2	10.0	11.2	10.0
Total Reserve for Credit Losses	\$ 150.5	\$ 143.5	\$ 150.5	\$ 143.5

* Other changes include the effect of foreign exchange rates on non-U.S. dollar denominated reserves.

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 reserves 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 based on internal credit ratings. These loss factors are primarily based on management's judgment of estimated credit losses inherent in the loan portfolio as well as historical charge-off experience.

Notes to Consolidated Financial Statements (continued)

Unallocated Inherent Reserve. Management determines the unallocated portion of the inherent loss reserve based on factors that cannot be associated with a specific credit or loan category. These factors include management's subjective evaluation of local, national, and international economic and business conditions, portfolio concentration, and changes in the character and size of the loan portfolio. The unallocated portion of the inherent loss reserve reflects management's recognition of the imprecision inherent in the process of estimating probable credit losses.

7. Goodwill and Other Intangibles Goodwill and other intangible assets are included in other assets in the consolidated balance sheet. The following table shows the changes in the carrying amount of goodwill by business unit for the three months ended June 30, 2007.

(In Millions)	Corporate and Institutional Services	Personal Financial Services	Total
Balance at March 31, 2007	\$ 361.3	\$ 60.8	\$ 422.1
Sale of Subsidiary	(.2)		(.2)
Other Changes *	5.0	.1	5.1
Balance at June 30, 2007	\$ 366.1	\$ 60.9	\$ 427.0

* Other changes in goodwill include the effect of foreign exchange rates on non-U.S. dollar denominated goodwill.

The gross carrying amount and accumulated amortization of other intangible assets at June 30, 2007 and 2006, was as follows:

Other Intangible Assets Subject to Amortization * (In Millions)	June 30	
	2007**	2006
Gross Carrying Amount	\$ 245.4	\$ 240.9
Accumulated Amortization	131.7	110.8
Net Book Value	\$ 113.7	\$ 130.1

* Includes the effect of foreign exchange rates on non-U.S. dollar denominated intangible assets.

** 2007 balances include an adjustment of \$3.6 million related to the second quarter sale of a non-U.S. subsidiary.

Other intangible assets consist primarily of the value of acquired client relationships. Amortization expense related to other intangible assets totaled \$5.2 million and \$5.6 million for the quarters ended June 30, 2007 and June 30, 2006, respectively, and \$10.5 million and \$11.0 million for the six months ended June 30, 2007 and 2006, respectively. Amortization for the remainder of 2007 and for the years 2008, 2009, 2010, and 2011 is estimated to be \$10.4 million, \$18.5 million, \$17.9 million, \$16.0 million and \$12.3 million, respectively.

Notes to Consolidated Financial Statements (continued)

8. Accumulated Other Comprehensive Income The following tables summarize the components of accumulated other comprehensive income at June 30, 2007 and 2006, and changes during the three- and six-month periods then ended, presented on an after-tax basis.

(In Millions)	Beginning Balance (Net of Tax)	Period Change		Ending Balance (Net of Tax)
		Pre-Tax Amount	Tax Effect	
Three Months Ended June 30, 2007				
Unrealized Gains (Losses) on Securities Available for Sale	\$ 6.0	\$ (2.9)	\$ 1.0	\$ 4.1
Less: Reclassification Adjustments				
Net Unrealized Gains (Losses) on Securities Available for Sale	6.0	(2.9)	1.0	4.1
Unrealized Gains (Losses) on Cash Flow Hedge Designations	1.0	(1.4)	.5	.1
Less: Reclassification Adjustments		(2.0)	.7	(1.3)
Net Unrealized Gains (Losses) on Cash Flow Hedge Designations	1.0	.6	(.2)	1.4
Pension and Other Postretirement Benefit Adjustments	(172.3)			(172.3)
Less: Reclassification Adjustments		5.4	(1.0)	4.4
Total Pension and Other Postretirement Benefit Adjustments	(172.3)	5.4	(1.0)	(167.9)
Foreign Currency Translation Adjustments	10.8	(4.3)	9.1	15.6
Accumulated Other Comprehensive Income	\$ (154.5)	\$ (1.2)	\$ 8.9	\$ (146.8)
Three Months Ended June 30, 2006				
Unrealized Gains (Losses) on Securities Available for Sale	\$ (7.0)	\$.8	\$ (.5)	\$ (6.7)
Less: Reclassification Adjustments				
Net Unrealized Gains (Losses) on Securities Available for Sale	(7.0)	.8	(.5)	(6.7)
Unrealized Gains (Losses) on Cash Flow Hedge Designations	(1.3)	2.0	(.7)	.1
Less: Reclassification Adjustments		(1.3)	.5	(.8)
Net Unrealized Gains (Losses) on Cash Flow Hedge Designations	(1.3)	3.3	(1.2)	.8
Minimum Pension Liability	(14.2)			(14.2)
Foreign Currency Translation Adjustments	(4.5)	2.0	(.6)	(3.1)
Accumulated Other Comprehensive Income	\$ (27.0)	\$ 6.1	\$ (2.3)	\$ (23.2)
Six Months Ended June 30, 2007				
Unrealized Gains (Losses) on Securities Available for Sale	\$ 4.5	\$ (.3)		\$ 4.2
Less: Reclassification Adjustments		.1		.1
Net Unrealized Gains (Losses) on Securities Available for Sale	4.5	(.4)		4.1
Unrealized Gains (Losses) on Cash Flow Hedge Designations	2.2	(6.5)	2.5	(1.8)