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Northern Trust Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll take our first question from Brian Foran with Goldman Sachs.

Brian Foran - Goldman Sachs

Good morning guys, how are you? I guess first on TARP potential repayment, do you expect or have you been given any guidance to return the funds without replacement or do you think that you may need to partly replace TARP with new equity or capital more broadly?

Steve Fradkin

Well, I think recognizing this was not meant to be a source of permanent capital at Northern Trust, we have engaged with our regulators goal of repaying the TPG fund as soon as we prudently can and to that end, we are continuing within an iterative dialogue with the Fed as part of their process, so I really can't comment beyond that. We'll look through their process and we'll see how that process moves forward.

Brian Foran - Goldman Sachs

Then on the mark-to-market SEC lending fund, I'm looking at the indices you referred to, I wasn't sure if you were referring to the investment grade or high yield version of this Merrill index, but it looks like it's flat to up a little bit in the second quarter.

I realize a lot can happen between now and June 30, but is the message from your prepared remarks that eventually this stuff will settle out and if the quarter ended today, the mark-to-market SEC lending fund would not be an issue for the second quarter and might actually be a slight positive?

Bev Fleming

Brian, just to clarify, it is the investment grade index that we referred to here; just so you know that.

Steve Fradkin

I think as we said, Brian and I want to be very clear about this, it is not a perfect match, so it is not the benchmark index, but it is directionally consistent based on what we have seen. I think some of the differences to keep in mind as you sort of use that as a thought is that, the index has all securities maturing one year or longer, in our fund we have many maturities that are shorter.

All the securities are investment grade and in our fund, some have dropped below investment grade. The index has all fixed bonds and we have almost all floating bonds and we're less diversified than the index, but directionally I would say, yes, based on what we've seen, using that as a proxy at this point in time, you'd probably have a different outcome.

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