NORTHERN FUNDS

TAX FACTS

2012

TRUST NORTHERN FOR WHAT REALLY MATTERS





Listed in the table below are the long-term capital gain distributions per share made by each equity and fixed income fund, as applicable. For more information about capital gain distributions, see the 2012 Northern Funds Tax Guide or visit northernfunds.com/tax-center.

| NORTHERN FUNDS | CAPITAL GAINS |
|---|---------------|
| ARIZONA TAX-EXEMPT | 0.078452 |
| BOND INDEX | 0.052414 |
| CALIFORNIA INTERMEDIATE TAX-EXEMPT | 0.043752 |
| CALIFORNIA TAX-EXEMPT | 0.026449 |
| CORE BOND | 0.097573 |
| FIXED INCOME | 0.043101 |
| global fixed income | 0.942643 |
| INTERMEDIATE TAX-EXEMPT | 0.080423 |
| MID CAP INDEX | 0.276672 |
| MULTI-MANAGER HIGH YIELD OPPORTUNITY | 0.088200 |
| MULTI-MANAGER LARGE CAP | 1.070262 |
| MULTI-MANAGER MID CAP | 0.508350 |
| MULTI-MANAGER SMALL CAP | 0.191943 |
| SHORT-INTERMEDIATE TAX-EXEMPT | 0.028221 |
| SHORT-INTERMEDIATE U.S. GOVERNMENT | 0.032747 |
| SMALL CAP CORE | 0.030257 |
| SMALL CAP INDEX | 0.064320 |
| SMALL CAP VALUE | 0.410154 |
| TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME | 0.000272 |
| TAX-EXEMPT | 0.086048 |
| ULTRA-SHORT FIXED INCOME | 0.008580 |
| U.S. GOVERNMENT | 0.005844 |
| U.S. TREASURY INDEX | 0.720526 |
| | |

CAPITAL GAIN INFORMATION FOR RESIDENTS OF RHODE ISLAND

For Rhode Island residents, the following chart shows the percentage of capital gain distributions for assets held one to five years and five years or more. This information may be necessary to prepare your Rhode Island state tax filings.

| NORTHERN FUNDS | ASSETS HELD MORE THAN 1 YEAR AND UP TO 5 YEARS | |
|--------------------------------------|--|-----|
| ARIZONA TAX-EXEMPT | 100% | _ |
| BOND INDEX | 94% | 6% |
| CALIFORNIA INTERMEDIATE TAX-EXEMPT | 96% | 4% |
| CALIFORNIA TAX-EXEMPT | 100% | _ |
| CORE BOND | 100% | _ |
| FIXED INCOME | 92% | 8% |
| GLOBAL FIXED INCOME | 78% | 22% |
| INTERMEDIATE TAX-EXEMPT | 100% | - |
| MID CAP INDEX | 66% | 34% |
| MULTI-MANAGER HIGH YIELD OPPORTUNITY | 100% | _ |
| MULTI-MANAGER LARGE CAP | 100% | _ |
| MULTI-MANAGER MID CAP | 100% | - |
| MULTI-MANAGER SMALL CAP | 99% | 1% |
| SHORT-INTERMEDIATE TAX-EXEMPT | 100% | - |
| SHORT-INTERMEDIATE U.S. GOVERNMENT | 100% | - |
| SMALL CAP CORE | 100% | _ |
| SMALL CAP INDEX | 49% | 51% |
| SMALL CAP VALUE | 100% | - |
| TAX-EXEMPT | 100% | _ |
| ULTRA-SHORT FIXED INCOME | 100% | - |
| U.S. GOVERNMENT | 100% | _ |
| U.S. TREASURY INDEX | 93% | 7% |
| | | |

Percentage of Dividends from Direct U.S. Government and Agency Obligations

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Funds during 2012 may qualify for this exemption. The table below shows the percentage of dividends (the amount reported in box 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Funds during 2012.

| MODITUREN FUNDS | U.S. | FEDERAL FARM CREDIT | FEDERAL HOME LOAN | STUDENT LOAN MARKETING | |
|---|--------|---------------------------|-------------------------|------------------------------|-----------|
| NORTHERN FUNDS | GOV'T | BANK | BANK | ASSN. | AUTHORITY |
| MONEY MARKET FUNDS CALIFORNIA MUNICIPAL MONEY MARKET | | | _ | | |
| | | - 100/ | | | _ |
| MONEY MARKET | 6.67% | 2.12% | 9.80% | _ | _ |
| MUNICIPAL MONEY MARKET | 5.62% | _ | _ | | |
| U.S. GOVERNMENT MONEY MARKET | 11.54% | 5.40% | 23.74% | - | - |
| U.S. GOVERNMENT SELECT MONEY MARKET | 13.81% | 18.51% | 48.97% | | 0.90% |
| FIXED INCOME FUNDS | | | | | |
| ARIZONA TAX-EXEMPT | _ | - | _ | _ | - |
| BOND INDEX | 22.91% | 0.01% | 0.51% | _ | 0.15% |
| CALIFORNIA INTERMEDIATE TAX-EXEMPT | - | - | _ | - | - |
| CALIFORNIA TAX-EXEMPT | - | - | - | - | - |
| CORE BOND | 3.31% | _ | _ | - | - |
| FIXED INCOME | 4.05% | - | - | - | - |
| GLOBAL FIXED INCOME | 28.88% | - | - | _ | - |
| HIGH YIELD FIXED INCOME | _ | _ | _ | _ | - |
| HIGH YIELD MUNICIPAL | _ | _ | _ | _ | _ |
| INTERMEDIATE TAX-EXEMPT | _ | _ | _ | _ | _ |
| MULTI-MANAGER HIGH YIELD OPPORTUNITY | 0.02% | _ | _ | _ | - |
| SHORT BOND | 1.94% | _ | _ | _ | - |
| SHORT-INTERMEDIATE TAX-EXEMPT | - | _ | _ | - | - |
| SHORT-INTERMEDIATE U.S. GOVERNMENT | 7.36% | - | _ | _ | _ |
| TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME | - | - | - | - | - |
| TAX-EXEMPT | _ | _ | _ | _ | _ |
| ULTRA-SHORT FIXED INCOME | 0.26% | 0.18% | 0.22% | _ | _ |
| U.S. GOVERNMENT | 12.09% | _ | _ | _ | _ |
| U.S. TREASURY INDEX | 99.73% | _ | _ | - | - |
| EQUITY FUNDS | | | | | |
| EMERGING MARKETS EQUITY INDEX | _ | _ | _ | _ | _ |
| ENHANCED LARGE CAP | 0.01% | _ | _ | _ | _ |
| GLOBAL SUSTAINABILITY INDEX | _ | _ | _ | _ | _ |
| GLOBAL TACTICAL ASSET ALLOCATION | _ | _ | _ | _ | _ |
| INCOME EQUITY | _ | _ | _ | _ | _ |
| INTERNATIONAL EQUITY | _ | _ | _ | _ | _ |
| INTERNATIONAL EQUITY INDEX | _ | _ | _ | _ | _ |
| LARGE CAP EQUITY | _ | _ | _ | _ | _ |
| LARGE CAP GROWTH | _ | _ | _ | | _ |
| LARGE CAP VALUE | | _ | _ | | _ |
| MID CAP INDEX | 0.02% | | | _ | |
| MULTI-MANAGER EMERGING MARKETS EQUITY | - | _ | _ | _ | _ |
| MULTI-MANAGER GLOBAL LISTED INFRASTRUCTURE | _ | - | - | _ | - |
| MULTI-MANAGER INTERNATIONAL EQUITY | - | - | - | - | - |
| MULTI-MANAGER LARGE CAP | _ | _ | _ | _ | _ |
| MULTI-MANAGER MID CAP | 0.01% | _ | _ | _ | _ |
| MULTI-MANAGER SMALL CAP | 0.02% | _ | _ | _ | _ |
| SMALL CAP CORE | 0.02% | _ | _ | _ | _ |
| SMALL CAP INDEX | 0.02% | _ | _ | _ | _ |
| SMALL CAP VALUE | 0.02% | _ | _ | _ | _ |
| STOCK INDEX | 0.01% | _ | | | |
| TECHNOLOGY | - | _ | | _ | _ |
| | _ | _ | | _ | |

Generally, the U.S. government does not impose income tax on interest income derived from municipal obligations. In addition, most states do not impose income tax on interest income derived from their own municipal obligations, or obligations from Guam, Puerto Rico or the Virgin Islands. This table shows the portion of dividends derived from

interest income on state and local obligations on a state-by-state basis during 2012 for applicable Northern tax-exempt money market and tax-exempt fixed income funds, as reported on your Form 1099-DIV (box 10).

| | AZ TAX-EXEMPT | CA INTERMEDIATE TAX-EXEMPT | CA MUNICIPAL MONEY MARKET | CA TAX-EXEMPT | HIGH YIELD MUNICIPAL | intermediate tax-exempt | MUNICIPAL MONEY MARKET | SHORT- INTERMEDIATE TAX-EXEMPT | TAX- ADVANTAGED ULTRA-SHORT FIXED INCOME | TAX-EXEMPT |
|----------------------|------------------|----------------------------------|------------------------------------|------------------|-------------------------|----------------------------|------------------------------|--------------------------------------|---|------------|
| ALABAMA | _ | _ | _ | _ | 2.11% | 0.12% | 1.35% | 0.02% | 0.31% | _ |
| ALASKA | _ | _ | _ | _ | 0.06% | 0.01% | 1.11% | 0.71% | 0.77% | 0.38% |
| ARIZONA | 97.68% | _ | _ | _ | 4.65% | 4.48% | 1.55% | 5.72% | 1.41% | 1.70% |
| ARKANSAS | _ | _ | _ | _ | 0.02% | _ | _ | _ | 0.03% | _ |
| CALIFORNIA | _ | 98.85% | 99.48% | 99.03% | 9.42% | 8.89% | 6.86% | 5.80% | 6.81% | 12.67% |
| COLORADO | _ | - | _ | _ | 3.75% | 1.69% | 1.87% | 1.51% | 1.75% | 1.35% |
| CONNECTICUT | _ | _ | _ | _ | 0.62% | 1.61% | 0.27% | 2.37% | 3.76% | 0.38% |
| DELAWARE | _ | _ | _ | _ | 1.02% | 0.33% | 0.02% | 1.63% | 0.90% | 0.30% |
| DISTRICT OF COLUMBIA | | _ | | | | | | | | |
| | - | _ | 0.529/ | - 0.00% | 1.95% | 1.94% | 0.26% | 0.01% | 0.93% | 2.86% |
| FLORIDA | _ | _ | 0.52% | 0.02% | 5.27% | 6.48% | 8.02% | 9.72% | 10.11% | 7.13% |
| GEORGIA | - | _ | _ | _ | 1.62% | 2.67% | 2.11% | 4.41% | 2.87% | 1.93% |
| GUAM | - | _ | - | _ | - | _ | - | _ | - | - |
| HAWAII | _ | _ | _ | _ | _ | 0.35% | _ | 0.70% | 1.97% | 3.40% |
| IDAHO | - | _ | - | _ | - | _ | 0.22% | 0.01% | 1.11% | _ |
| ILLINOIS | 0.06% | 0.01% | - | | 8.40% | 6.83% | 5.24% | 1.57% | 2.54% | 12.76% |
| INDIANA | - | _ | - | _ | 5.58% | 2.16% | 1.79% | 1.22% | 1.79% | 2.41% |
| IOWA | - | _ | _ | _ | _ | 0.22% | 0.51% | 0.02% | 0.98% | - |
| KANSAS | - | - | - | _ | - | 0.23% | 0.37% | 0.50% | 0.20% | 0.09% |
| KENTUCKY | _ | _ | _ | _ | _ | 0.05% | 1.49% | 1.87% | 1.71% | _ |
| LOUISIANA | _ | _ | _ | _ | 6.20% | 1.61% | 0.78% | 0.02% | 1.67% | 1.77% |
| MAINE | _ | _ | _ | _ | 1.65% | _ | 0.10% | 0.01% | 0.06% | _ |
| MARYLAND | _ | _ | _ | _ | 4.12% | 2.60% | 2.76% | 2.36% | 0.92% | 1.45% |
| MASSACHUSETTS | _ | _ | _ | _ | 1.05% | 5.55% | 2.34% | 0.60% | 2.37% | 6.71% |
| MICHIGAN | | _ | | _ | | | | | 1.23% | |
| | _ | _ | _ | _ | 1.34% | 2.14% | 3.16% | 1.02% | | 1.71% |
| MINNESOTA | _ | _ | _ | _ | 1.52% | 0.94% | 2.02% | 2.69% | 1.26% | 0.78% |
| MISSISSIPPI | _ | _ | _ | _ | 0.97% | 0.05% | 1.33% | 0.34% | 1.43% | 0.78% |
| MISSOURI | _ | _ | _ | _ | 2.23% | 0.69% | 1.58% | 0.01% | _ | 0.09% |
| MONTANA | _ | _ | - | _ | 0.97% | - | - | _ | - | _ |
| NEBRASKA | _ | _ | - | _ | _ | 0.87% | 1.01% | 0.30% | 0.42% | 1.07% |
| NEVADA | - | - | - | _ | - | 1.03% | 0.39% | 1.91% | 1.82% | 0.41% |
| NEW HAMPSHIRE | _ | _ | - | _ | 0.10% | 0.42% | 1.36% | 0.29% | 0.36% | 1.28% |
| NEW JERSEY | _ | - | _ | - | 4.45% | 2.01% | 1.50% | 5.77% | 6.98% | 1.63% |
| NEW MEXICO | - | _ | _ | _ | 0.91% | 0.30% | 1.54% | 2.08% | 0.04% | 0.38% |
| NEW YORK | _ | _ | _ | _ | 2.94% | 20.57% | 9.26% | 10.90% | 11.32% | 18.16% |
| NORTH CAROLINA | _ | _ | _ | _ | 1.88% | 1.78% | 2.98% | 1.14% | 2.40% | 1.29% |
| NORTH DAKOTA | _ | _ | _ | _ | _ | _ | _ | _ | 0.05% | _ |
| ОНІО | _ | _ | _ | _ | 6.06% | 2.83% | 2.78% | 3.05% | 3.51% | 1.64% |
| OKLAHOMA | _ | _ | _ | _ | _ | _ | 1.07% | 0.36% | 0.56% | 0.18% |
| OREGON | _ | _ | _ | _ | _ | 2.19% | 0.96% | 1.73% | 0.46% | 0.35% |
| PENNSYLVANIA | _ | _ | _ | _ | 5.07% | 0.97% | 4.77% | 3.29% | 3.30% | 0.55% |
| PUERTO RICO | 2.26% | 1.14% | _ | 0.95% | J.07 /8 | 0.33% | 4.7776 | J.27/0 — | 0.70% | 0.43% |
| | 2.20/0 | 1.14/0 | | | | | | | | |
| RHODE ISLAND | - | _ | - | - | 0.89% | 0.46% | 0.15% | 0.01% | 0.10% | - 0.579/ |
| SOUTH CAROLINA | _ | _ | _ | _ | 0.11% | 2.29% | 1.01% | 1.54% | 0.34% | 2.57% |
| SOUTH DAKOTA | - | - | - | _ | - | - | 0.03% | _ | 0.28% | _ |
| TENNESSEE | - | _ | _ | _ | 0.08% | 0.95% | 1.28% | 2.32% | 0.70% | 0.28% |
| TEXAS | - | _ | _ | _ | 9.01% | 7.61% | 14.30% | 6.21% | 8.54% | 6.89% |
| UTAH | - | _ | - | _ | _ | 0.64% | 0.44% | 2.80% | 0.35% | 0.11% |
| VERMONT | - | - | - | _ | - | - | 0.11% | - | _ | - |
| VIRGIN ISLANDS | - | _ | _ | _ | _ | _ | - | _ | _ | - |
| VIRGINIA | - | - | - | - | 0.35% | 1.40% | 0.94% | 5.29% | 2.74% | 0.10% |
| WASHINGTON | - | _ | _ | _ | 3.26% | 1.41% | 1.66% | 3.93% | 2.75% | 1.34% |
| WEST VIRGINIA | - | _ | - | _ | _ | _ | 0.40% | _ | 0.42% | _ |
| WISCONSIN | _ | _ | _ | _ | 0.29% | 0.30% | 4.53% | 2.02% | 2.97% | 0.69% |
| WYOMING | _ | _ | _ | _ | 0.08% | - | 0.42% | 0.22% | _ | - |
| | | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

PERCENTAGE OF EXEMPT INTEREST DIVIDENDS

The amount of dividends paid that are excludable from gross income for federal income tax purposes is now reported on Form 1099-DIV (box 10). Please refer to the Northern Funds Tax Guide for more information about Form 1099-DIV.

PERCENTAGE OF QDI AND DRD

Income & Capital Gain Distributions

For the 2012 calendar year, 100% of the dividends paid by the fixed income funds is taxable as ordinary income for federal income tax purposes. Listed in this table are the percentages of ordinary income distributed (dividend income plus short-term gain) by the equity funds, as applicable, that can be treated as Qualified Dividend Income (QDI).

Percentage of Dividends Eligible for the Corporate Dividends Received Deduction

Mutual fund dividends derived from certain domestic corporations may be eligible for the dividends received deduction (DRD) for corporations. A portion of the ordinary income distribution (dividend income plus short-term gain) paid in 2012 by the Funds listed below may qualify for this deduction. The table below shows the portion of ordinary income distribution (dividend income plus short-term gain) attributable to such domestic corporations for each of the Funds for 2012.

| NORTHERN FUNDS | % QDI | % DRD |
|--|---------|---------|
| EMERGING MARKETS EQUITY INDEX | 69.78% | _ |
| ENHANCED LARGE CAP | 100.00% | 99.43% |
| GLOBAL SUSTAINABILITY INDEX | 100.00% | 31.37% |
| GLOBAL TACTICAL ASSET ALLOCATION | 33.16% | 24.65% |
| INCOME EQUITY | 100.00% | 99.48% |
| INTERNATIONAL EQUITY | 100.00% | 1.38% |
| INTERNATIONAL EQUITY INDEX | 100.00% | _ |
| LARGE CAP EQUITY | 100.00% | 100.00% |
| LARGE CAP GROWTH | 100.00% | 100.00% |
| LARGE CAP VALUE | 100.00% | 100.00% |
| MID CAP INDEX | 57.75% | 57.88% |
| MULTI-MANAGER EMERGING MARKETS EQUITY | 100.00% | 2.09% |
| MULTI-MANAGER GLOBAL LISTED INFRASTRUCTURE | 100.00% | 31.59% |
| multi-manager international equity | 100.00% | 0.72% |
| MULTI-MANAGER LARGE CAP | 35.48% | 33.91% |
| MULTI-MANAGER MID CAP | 100.00% | 100.00% |
| MULTI-MANAGER SMALL CAP | 100.00% | 100.00% |
| SMALL CAP CORE | 94.57% | 94.06% |
| SMALL CAP INDEX | 72.64% | 67.63% |
| SMALL CAP VALUE | 93.65% | 93.59% |
| STOCK INDEX | 100.00% | 99.96% |
| | | |

ALTERNATIVE MINIMUM TAX

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called "private activity bonds" be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. Form 1099-DIV (box 11) reports the tax-exempt income that is subject to AMT. The following table reports the percentage of the Fund's distributions that are subject to the AMT. You may want to consult with a professional tax advisor to determine your exposure to the AMT.

| TAX-EXEMPT FUNDS | % AMT |
|---|--------|
| ARIZONA TAX-EXEMPT | 2.47% |
| CALIFORNIA INTERMEDIATE TAX-EXEMPT | 0.45% |
| CALIFORNIA MUNICIPAL MONEY MARKET | 4.33% |
| CALIFORNIA TAX-EXEMPT | - |
| HIGH YIELD MUNICIPAL | 2.88% |
| INTERMEDIATE TAX-EXEMPT | 3.03% |
| MUNICIPAL MONEY MARKET | 2.28% |
| SHORT-INTERMEDIATE TAX-EXEMPT | - |
| TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME | 12.58% |
| TAX-EXEMPT | 2.83% |

FOREIGN TAXES

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for the foreign taxes paid by the Emerging Markets Equity Index, Global Real Estate Index*, Global Sustainability Index, International Equity, International Equity Index, Multi-Manager Emerging Markets Equity, Multi-Manager Global Real Estate* and Multi-Manager International Equity Funds during 2012. Generally, you will owe less federal income tax if you claim the foreign tax credit by filing IRS Form 1116. (For corporations, use Form 1118.)

Determining Your Credits & Deductions

Qualifying Foreign Taxes Paid: Form 1099-DIV (box 6) reports the foreign taxes paid. This is your qualifying foreign taxes paid used in Part II of Form 1116.

Gross Income from Sources Outside the U.S.: Multiply the "Foreign Source Income Factor" in the table below by the amount in box 1a of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116.

For additional information, refer to IRS Publication 514, Foreign Tax Credit for Individuals, or call the Foreign Tax Credit Department of the IRS at 800-829-1040.

| NORTHERN FUNDS | FOREIGN SOURCE INCOME |
|---------------------------------------|-----------------------|
| EMERGING MARKETS EQUITY INDEX | 0.982900 |
| GLOBAL SUSTAINABILITY INDEX | 0.622100 |
| INTERNATIONAL EQUITY | 0.982900 |
| INTERNATIONAL EQUITY INDEX | 0.984500 |
| MULTI-MANAGER EMERGING MARKETS EQUITY | 0.980500 |
| MULTI-MANAGER INTERNATIONAL EQUITY | 0.962100 |

^{*} If you are an investor in the Global Real Estate Index Fund or the Multi-Manager Global Real Estate Fund, your Form 1099-DIV which will be used to report your Foreign Income Tax Credit, will be sent separately.





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