



NORTHERN INSTITUTIONAL FUNDS

PRIME OBLIGATIONS PORTFOLIO

SEMIANNUAL REPORT

MAY 31, 2010

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust



A MESSAGE FROM
BOB BROWNE

CHIEF INVESTMENT OFFICER

The U.S. bond market exhibited a high level of volatility during the six months ended May 31, 2010, as investors sought to position themselves for a shifting investment landscape. During the first four months of the period, an environment of improving growth, elevated investor risk appetite, and heightened concern surrounding the growing U.S. deficit pressured long-dated Treasury yields. However, April and May brought a flight to quality as investors reacted to concerns about the peripheral European economies' growing difficulty in managing their spiraling debt.

In this environment, the yield on the 10-year Treasury note rose to 3.31% on May 31, 2010 from 3.21% on November 30, 2009. In comparison, its high for the period was 4.01%, registered on April 5, 2010. The yield on the two-year Treasury note moved from 0.67% on November 30, 2009 to 0.76% on May 31, 2010 with a high-water mark of 1.11% reached on April 2, 2010. These price trends help illustrate that Treasuries remain a "safe haven" even amid increased concern about the U.S. government's spiraling debt-to-GDP ratio.

Federal Reserve policy remained unchanged during the period. Citing benign inflation readings, steady productivity and continued slack in the U.S. economy, the Fed maintained the

near-zero interest rate policy that has been in place since December 2008. The Fed's statements continued to use the dovish language "exceptionally low levels of the federal funds rate for an extended period" in discussing its policy. Given the uncertainty regarding the sovereign debt crisis in Europe, it appears unlikely that the Fed will increase interest rates in the near future. Additionally, the upswing in the dollar provides latitude for monetary policy to stay accommodative for longer. However, in an acknowledgment of evidence showing a continued economic improvement, the Fed scaled back lending facilities, discontinued asset purchase programs and prepared for a future reduction of its balance sheet. In total, the Fed's quantitative easing program resulted in its purchasing approximately \$172 billion in U.S. agency debt and \$1.25 trillion in mortgage-backed securities.

Elsewhere in the bond market, investment-grade-corporate and high-yield issues were negatively affected by investors' growing risk aversion during the second half of the period. The municipal market held up well, as government-subsidized Build America Bonds — which are accounting for a growing portion of new issuance in the tax-exempt market — continued to drain supply from traditional

tax-exempt issuance. The low interest rate environment, together with investors' increased concern about the effect of taxes on their investments, were additional factors that helped create a favorable backdrop for municipals.

Looking ahead, it appears likely that bond market performance will be driven by investors' assessment of the broader risk environment until there is more clarity regarding the situation in Europe. Longer term, the most important issues will likely be the resolution of the debate concerning the U.S. economy's path — a "double-dip" recession versus slow and steady growth — and evidence illustrating whether government policies are resulting in growing inflation pressures. We will be monitoring these developments closely in the months ahead.

Bob Browne
Chief Investment Officer
Northern Trust

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The report has been prepared for the general information of Northern Institutional Funds Prime Obligations Portfolio shareholders. It is not authorized for distribution to prospective investors unless accompanied or preceded by a current Northern Institutional Funds Prime Obligations Portfolio prospectus, which contains more complete information about Northern Institutional Funds Prime Obligations Portfolio's investment policies, management fees and expenses. Investors are reminded to read the prospectus carefully before investing or sending money.

This report contains certain forward-looking statements about factors that may affect the performance of the Portfolio in the future. These statements are based on Portfolio management's predictions and expectations concerning certain future events, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in Portfolio management strategies from those currently expected to be employed.

Investments in the Portfolio are not insured or guaranteed by the FDIC or any other governmental agency. Although the Portfolio seeks to maintain a value of \$1.00 per share, it is possible to lose money by investing.

Northern Funds Distributors, LLC,
not affiliated with Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

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STATEMENT OF ASSETS AND LIABILITIES

MAY 31, 2010 (UNAUDITED)

<i>Amounts in thousands, except per share data</i>	PRIME OBLIGATIONS PORTFOLIO
ASSETS:	
Investments, at amortized cost	\$4,236,628
Repurchase agreements, at cost which approximates fair value	1,109,861
Cash	547
Interest income receivable	3,927
Receivable for fund shares sold	6,533
Receivable from affiliated administrator	313
Prepaid and other assets	47
Total Assets	5,357,856
LIABILITIES:	
Payable for securities purchased	77,142
Distributions payable to shareholders	641
Payable to affiliates:	
Investment advisory fees	444
Administration fees	444
Custody and accounting fees	47
Shareholder servicing fees	17
Transfer agent fees	8
Trustee fees	22
Accrued other liabilities	56
Total Liabilities	78,821
Net Assets	\$5,279,035
ANALYSIS OF NET ASSETS:	
Capital stock	\$5,278,947
Accumulated undistributed net realized gain	88
Net Assets	\$5,279,035
Net Assets:	
Shares	\$5,211,126
Service Shares	67,909
Total Shares Outstanding (no par value, unlimited shares authorized):	
Shares	5,211,003
Service Shares	67,943
Net Asset Value, Redemption and Offering Price Per Share:	
Shares	\$1.00
Service Shares	1.00

See Notes to the Financial Statements.

STATEMENT OF OPERATIONS

SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)

Amounts in thousands	PRIME OBLIGATIONS PORTFOLIO
INVESTMENT INCOME:	
Interest income	\$7,224
EXPENSES:	
Investment advisory fees	3,933
Administration fees	2,622
Custody and accounting fees	296
Transfer agent fees	28
Registration fees	33
Printing fees	17
Professional fees	62
Shareholder servicing fees	108
Trustee fees	32
Other	51
Total Expenses	7,182
Less waivers of investment advisory fees	(1,311)
Less expenses reimbursed by investment adviser	(63)
Less expenses reimbursed by administrator	(1,798)
Net Expenses	4,010
Net Investment Income	3,214
NET REALIZED GAINS:	
Net realized gains on:	
Investments	88
Net Gains	88
Net Increase in Net Assets Resulting from Operations	\$3,302

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)
OR FISCAL YEAR ENDED NOVEMBER 30, 2009

Amounts in thousands	PRIME OBLIGATIONS PORTFOLIO	
	2010	2009
OPERATIONS:		
Net investment income	\$3,214	\$10,352
Net realized gains (losses) on:		
Investments	88	(4,150)
Capital Support Agreement	—	4,151
Net change in unrealized appreciation (depreciation) on:		
Investments	—	9,939
Capital Support Agreement	—	(9,939)
Net Increase in Net Assets Resulting from Operations	3,302	10,353
CAPITAL SHARE TRANSACTIONS:⁽¹⁾		
Net increase in net assets resulting from Shares transactions	726,852	2,612,093
Net decrease in net assets resulting from Service Shares transactions	(23,247)	(36,579)
Net Increase in Net Assets Resulting from Capital Share Transactions	703,605	2,575,514
DISTRIBUTIONS TO SHARES SHAREHOLDERS:		
From net investment income	(3,211)	(11,559)
Total Distributions to Shares Shareholders	(3,211)	(11,559)
DISTRIBUTIONS TO SERVICE SHARES SHAREHOLDERS:		
From net investment income	(4)	(278)
Total Distributions to Service Shares Shareholders	(4)	(278)
Total Increase in Net Assets	703,692	2,574,030
NET ASSETS:		
Beginning of period	4,575,343	2,001,313
End of period	\$5,279,035	\$4,575,343
Accumulated Undistributed Net Investment Income	\$ —	\$5

⁽¹⁾ The number of shares approximates the dollar amount of transactions.

See Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

SIX MONTHS ENDED MAY 31, 2010 (UNAUDITED)
OR FISCAL YEARS ENDED NOVEMBER 30,

PRIME OBLIGATIONS PORTFOLIO		SHARES				
Selected per share data	2010 ⁽¹⁾	2009 ⁽¹⁾	2008	2007	2006	2005
Net Asset Value, Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income	—	—	0.03	0.05	0.05	0.03
Net realized and unrealized gains (losses)	—	—	—	—	—	—
Total from Investment Operations	—	—	0.03	0.05	0.05	0.03
LESS DISTRIBUTIONS PAID:						
From net investment income	—	—	(0.03)	(0.05)	(0.05)	(0.03)
Total Distributions Paid	—	—	(0.03)	(0.05)	(0.05)	(0.03)
Net Asset Value, End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Return⁽²⁾	0.06%	0.43% ⁽³⁾	2.58% ⁽³⁾	5.23%	4.86%	2.94%
SUPPLEMENTAL DATA AND RATIOS:						
Net assets, in thousands, end of period	\$5,211,126	\$4,484,188	\$1,873,486	\$4,425,630	\$1,627,181	\$828,872
Ratio to average net assets of: ⁽⁴⁾						
Expenses, net of waivers, reimbursements and credits	0.15%	0.18% ⁽⁵⁾	0.16% ⁽⁶⁾	0.20%	0.20%	0.20%
Expenses, before waivers, reimbursements and credits	0.27%	0.31%	0.29%	0.26%	0.27%	0.29%
Net investment income, net of waivers, reimbursements and credits	0.13%	0.33%	2.73%	5.11%	4.82%	2.97%
Net investment income, before waivers, reimbursements and credits	0.01%	0.20%	2.60%	5.05%	4.75%	2.88%

		SERVICE				
Selected per share data	2010 ⁽¹⁾	2009 ⁽¹⁾	2008	2007	2006	2005
Net Asset Value, Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income	—	—	0.02	0.05	0.04	0.03
Net realized and unrealized gains (losses)	—	—	—	—	—	—
Total from Investment Operations	—	—	0.02	0.05	0.04	0.03
LESS DISTRIBUTIONS PAID:						
From net investment income	—	—	(0.02)	(0.05)	(0.04)	(0.03)
Total Distributions Paid	—	—	(0.02)	(0.05)	(0.04)	(0.03)
Net Asset Value, End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Return⁽²⁾	0.01%	0.20% ⁽³⁾	2.32% ⁽³⁾	4.96%	4.59%	2.67%
SUPPLEMENTAL DATA AND RATIOS:						
Net assets, in thousands, end of period	\$67,909	\$91,155	\$127,827	\$167,473	\$154,867	\$54,814
Ratio to average net assets of: ⁽⁴⁾						
Expenses, net of waivers, reimbursements and credits	0.27%	0.43% ⁽⁵⁾	0.42% ⁽⁶⁾	0.46%	0.46%	0.46%
Expenses, before waivers, reimbursements and credits	0.53%	0.57%	0.55%	0.52%	0.53%	0.55%
Net investment income, net of waivers, reimbursements and credits	0.01%	0.08%	2.47%	4.85%	4.56%	2.71%
Net investment income (loss), before waivers, reimbursements and credits	(0.25)%	(0.06)%	2.34%	4.79%	4.49%	2.62%

- (1) Per share amounts from net investment income, net realized and unrealized gains (losses) and distributions from net investment income were less than \$0.01 per share.
- (2) Assumes investment at net asset value at the beginning of the period, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the period. Total return is not annualized for periods less than one year.
- (3) Without the value of the Capital Support Agreement, the total return would have been 0.67% and 0.31% for the Shares and Service Shares, respectively, for the fiscal year ended November 30, 2009 and 2.30% and 2.06%, for Shares and Service Shares, respectively, for the fiscal year ended November 30, 2008.
- (4) Annualized for periods less than one year.
- (5) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guaranty Program (the "Participation Fee") of approximately \$974,000 and \$40,000 for Shares and Service Shares, respectively, which represents 0.03% of average net assets for the fiscal year ended November 30, 2009. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.
- (6) The net expense ratio includes the Participation Fee of approximately \$228,000 and \$12,000 for Shares and Service Shares, respectively, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.

See Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS

PRIME OBLIGATIONS PORTFOLIO

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
CERTIFICATES OF DEPOSIT – 19.7%		
Non-U.S. Depository Institutions – 19.7%		
Abbey National Treasury Services, FRCD, 0.30%, 6/1/10	\$35,000	\$35,000
Banco Bilbao Vizcaya Argentaria, 0.29%, 7/7/10	25,000	25,000
0.35%, 7/26/10	15,000	15,000
Banco Bilbao Vizcaya Argentaria, London, 0.26%, 6/10/10	20,000	20,000
0.31%, 7/30/10	40,000	40,000
Bank of Nova Scotia, Houston, 0.29%, 6/18/10	30,000	30,000
Bank of Tokyo-Mitsubishi, New York, 0.40%, 6/28/10	30,000	30,000
Barclays Bank, New York Branch, 0.52%, 8/24/10	47,000	47,000
Barclays Bank PLC, FRCD, 0.64%, 6/14/10	25,000	25,000
0.35%, 6/21/10	30,000	30,000
BNP Paribas S.A., London Branch, 0.30%, 7/6/10	15,000	15,000
BNP Paribas S.A., New York Branch, 0.40%, 10/18/10	40,000	40,000
Commonwealth Bank of Australia, 0.31%, 6/29/10	10,000	10,000
Credit Agricole CIB, New York, 0.57%, 8/2/10	45,000	45,000
Credit Agricole S.A., London Branch, 0.35%, 8/20/10	15,000	15,000
Deutsche Bank, New York Branch, 0.36%, 6/30/10	20,000	20,000
0.30%, 7/19/10	20,000	20,000
0.30%, 7/26/10	50,000	50,000
DNB Norway Bank A.S.A., New York Branch, 0.31%, 8/3/10	20,000	20,000
National Australia Bank, London Branch, 0.24%, 6/18/10	65,000	65,000
0.34%, 8/5/10	15,000	15,000
National Australia Bank, New York, FRCD, 0.45%, 6/28/10	10,000	10,000
Rabobank Nederland N.V., New York, FRCD, 0.27%, 6/7/10	10,000	10,000
0.30%, 6/9/10	35,000	35,000
0.34%, 6/18/10	15,000	15,000

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
CERTIFICATES OF DEPOSIT – 19.7% continued		
Non-U.S. Depository Institutions – 19.7% continued		
Royal Bank of Canada, New York Branch, 0.46%, 6/1/10	\$30,000	\$30,000
Royal Bank of Scotland, New York Branch, 0.43%, 6/30/10	35,000	35,000
0.50%, 10/12/10	35,000	35,000
Royal Bank of Scotland, Stamford CT Branch, 0.40%, 7/15/10	30,000	30,000
Santander UK PLC, FRCD, 0.35%, 6/25/10	50,000	50,000
Societe Generale, London Branch, 0.26%, 7/6/10	35,000	35,000
Societe Generale, New York, FRCD, 0.36%, 6/25/10	15,000	15,000
Svenska Handelsbanken, Inc., New York Branch, 0.30%, 7/30/10	35,000	35,000
Toronto Dominion Bank, New York, FRCD, 0.30%, 6/10/10	25,000	25,000
Westpac Banking Corp., New York, FRCD, 0.28%, 6/1/10	55,000	55,000
0.29%, 6/1/10	15,000	15,000
Total Certificates of Deposit		
(Cost \$1,042,000)		1,042,000

COMMERCIAL PAPER – 17.4%

Bank Holding Companies – 0.6%

HSBC USA, Inc., 0.29%, 6/2/10	30,000	30,000
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Chemicals and Allied Products – 0.5%

Pfizer, Inc., 0.80%, 7/8/10	15,000	14,988
0.81%, 7/16/10	10,000	9,990

24,978

Electronic and Other Electronic Components – 0.8%

General Electric Capital Services, Inc., 0.30%, 7/27/10	40,000	39,981
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Foreign Agency and Regional Governments – 0.3%

KFW, 0.19%, 6/17/10	15,000	14,999
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See Notes to the Financial Statements.

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
COMMERCIAL PAPER – 17.4% continued		
Multi-Seller Conduits – 14.4%		
Atlantic Asset Securitization Corp., 0.40%, 6/17/10	\$50,000	\$49,991
Chariot Funding LLC, 0.30%, 6/3/10	45,000	44,999
Charta Corp., 0.24%, 6/14/10	40,000	39,996
Clipper Receivables Corp., 0.30%, 7/20/10	40,000	39,984
Corporate Receivables Corp., 0.31%, 7/22/10	10,000	9,996
0.32%, 7/26/10	30,000	29,985
Enterprise Funding LLC, 0.32%, 6/1/10	65,000	65,000
Gotham Funding Corp., 0.39%, 6/17/10	25,000	24,996
Jupiter Securitization Corp., 0.30%, 6/3/10	55,000	54,999
Kitty Hawk Funding Corp., 0.32%, 6/1/10	50,000	50,000
Liberty Street Funding Co., 0.25%, 6/1/10	10,000	10,000
0.24%, 6/15/10	20,000	19,998
Regency Markets, Inc., 0.40%, 6/21/10	50,000	49,989
Sheffield Receivables Corp., 0.23%, 6/7/10	17,000	16,999
0.23%, 6/8/10	30,000	29,999
Straight-A Funding LLC, 0.29%, 6/3/10	90,000	89,998
0.30%, 6/17/10	10,000	9,999
Thames Asset Global Securitization, Number One, Inc., 0.39%, 6/10/10	15,000	14,999
0.24%, 6/14/10	15,000	14,999
0.26%, 6/14/10	10,000	9,999
0.38%, 6/18/10	25,000	24,996
0.39%, 6/28/10	10,000	9,997
Thunder Bay Funding, Inc., 0.22%, 6/7/10	25,000	24,999
Yorktown Capital LLC, 0.32%, 6/1/10	25,000	25,000
		761,917

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
COMMERCIAL PAPER – 17.4% continued		
Non-U.S. Depository Institutions – 0.8%		
Lloyds Bank PLC, 0.36%, 7/6/10	\$20,000	\$19,993
0.30%, 7/28/10	25,000	24,988
		44,981
Total Commercial Paper		
(Cost \$916,856)		
		916,856
CORPORATE NOTES/BONDS – 6.1%		
Foreign Agency and Regional Governments – 1.4%		
KFW, 4.63%, 1/20/11	55,000	56,469
1.88%, 3/15/11	20,000	20,219
		76,688
General Merchandise Stores – 0.9%		
Wal-Mart Stores, 5.48%, 6/1/11	45,000	47,143
Insurance Carriers – 0.6%		
Berkshire Hathaway, Inc., FRN, 0.35%, 8/10/10	30,000	30,000
Non-U.S. Depository Institutions – 1.5%		
Santander US Debt S.A. Unipersonal, FRN, ⁽¹⁾ 0.36%, 7/23/10	60,000	60,004
Westpac Banking Corp., FRN, ⁽¹⁾ 0.32%, 6/2/10	20,000	20,000
		80,004
Supranational – 1.2%		
Inter American Development Bank, 0.47%, 8/2/10	20,000	19,984
0.49%, 8/2/10	1,140	1,139
International Bank for Reconstruction & Development, 0.73%, 6/10/10	20,000	20,000
International Finance Corp., 4.00%, 6/15/10	22,968	23,000
		64,123
U.S. Depository Institutions – 0.5%		
Bank of America N.A., FDIC Gtd., FRN, ⁽²⁾ 0.29%, 6/14/10	25,000	25,000
Total Corporate Notes/Bonds		
(Cost \$322,958)		
		322,958

See Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS
PRIME OBLIGATIONS PORTFOLIO *continued*

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
EURODOLLAR TIME DEPOSITS – 13.5%		
Non-U.S. Depository Institutions – 9.5%		
BNP Paribas, Paris, 0.25%, 6/1/10	\$100,000	\$100,000
Danske Bank, Copenhagen, Denmark, 0.37%, 6/1/10	75,000	75,000
HSBC, Paris, France, 0.31%, 6/1/10	75,000	75,000
Societe Generale, Paris, France, 0.24%, 6/1/10	100,000	100,000
UBS AG, Grand Cayman, 0.22%, 6/1/10	150,000	150,000
		500,000
U.S. Depository Institutions – 4.0%		
Citibank, Nassau, 0.23%, 6/1/10	200,000	200,000
JPMorgan Chase Bank, Toronto, Canada, 0.15%, 6/1/10	11,000	11,000
		211,000
Total Eurodollar Time Deposits		
(Cost \$711,000)		711,000

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
U.S. GOVERNMENT AGENCIES – 18.9% ⁽³⁾		
Federal Farm Credit Bank – 1.9%		
FFCB Bond, 0.56%, 7/1/10	10,000	10,000
FFCB FRN, 0.19%, 6/1/10	40,000	39,992
0.30%, 6/6/10	50,000	50,005
		99,997
Federal Home Loan Bank – 12.7%		
FHLB Bonds,		
0.55%, 6/10/10	10,000	10,000
0.56%, 6/25/10	12,000	12,000
0.55%, 7/15/10	5,000	5,000
0.60%, 9/17/10	20,000	20,005
0.50%, 5/5/11	20,000	19,994
FHLB Callable Bonds,		
0.40%, 12/28/10	10,000	10,000
0.45%, 12/29/10	40,000	39,999
0.50%, 3/7/11	6,667	6,667
0.50%, 3/14/11	30,000	30,000
0.55%, 3/23/11	20,000	20,000

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
U.S. GOVERNMENT AGENCIES – 18.9% ⁽³⁾ continued		
Federal Home Loan Bank – 12.7% continued		
FHLB Callable Bonds, continued		
0.57%, 4/13/11	\$30,000	\$30,000
0.60%, 4/18/11	10,000	10,000
0.63%, 4/21/11	10,000	10,000
0.60%, 5/10/11	25,000	25,000
0.70%, 6/16/11	15,000	15,000
0.75%, 6/21/11	15,000	15,000
FHLB Discount Note, 0.51%, 5/17/11	12,000	11,942
FHLB FRN,		
0.22%, 6/1/10	10,000	9,996
0.25%, 6/1/10	175,000	174,985
0.30%, 6/1/10	50,000	50,000
0.25%, 6/12/10	25,000	24,988
0.26%, 6/30/10	30,000	29,987
0.25%, 7/8/10	25,000	25,000
0.25%, 7/27/10	40,000	39,999
0.32%, 8/7/10	25,000	24,985
		670,547

Federal Home Loan Mortgage Corporation – 3.0%		
FHLMC FRN,		
0.23%, 6/3/10	20,000	19,998
0.22%, 6/10/10	20,000	19,998
0.30%, 6/19/10	40,000	39,968
0.32%, 6/26/10	20,000	19,984
0.25%, 8/4/10	30,000	29,998
0.46%, 8/24/10	10,000	10,000
FHLMC Note, 1.45%, 9/10/10	15,000	15,037
		154,983
Federal National Mortgage Association – 1.3%		
FNMA FRN,		
0.26%, 6/11/10	25,000	24,985
0.19%, 7/13/10	10,000	9,999
0.30%, 8/5/10	10,000	9,999
FNMA Notes,		
3.00%, 7/12/10	10,000	10,028
3.25%, 8/12/10	15,000	15,083
		70,094
Total U.S. Government Agencies		
(Cost \$995,621)		995,621

See Notes to the Financial Statements.

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
U.S. GOVERNMENT OBLIGATIONS – 4.7%		
U.S. Treasury Bills – 0.4%		
0.50%, 7/1/10	\$10,000	\$9,996
0.50%, 7/29/10	5,000	4,996
0.45%, 4/7/11	5,000	4,981
		19,973
U.S. Treasury Notes – 4.3%		
2.38%, 8/31/10	18,000	18,080
1.25%, 11/30/10	50,000	50,224
0.88%, 1/31/11	60,000	60,153
5.00%, 2/15/11	30,000	30,977
0.88%, 2/28/11	25,000	25,082
4.50%, 2/28/11	20,000	20,615
0.88%, 3/31/11	15,000	15,052
0.88%, 5/31/11	8,000	8,037
		228,220
Total U.S. Government Obligations		
		(Cost \$248,193)
Investments, at Amortized Cost		
		(\$4,236,628)
REPURCHASE AGREEMENTS – 21.0%		
(Collateralized at a minimum of 102%)		
Repurchase Agreements – 21.0%⁽⁴⁾		
Bank of America, N.A., dated 5/28/10, repurchase price \$830,018		
0.20%, 6/1/10	830,000	830,000
Citigroup Global Markets, Inc., dated 5/28/10, repurchase price \$109,864		
0.21%, 6/1/10	109,861	109,861
Goldman Sachs & Co., dated 5/28/10, repurchase price \$170,004		
0.20%, 6/1/10	170,000	170,000
Total Repurchase Agreements		
		(Cost \$1,109,861)
Total Investments – 101.3%		
		(Cost \$5,346,489)⁽⁵⁾
Liabilities less Other Assets – (1.3%)		(67,454)
NET ASSETS – 100.0%		
		\$5,279,035

- (1) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.
- (2) Security issued under the terms of the Temporary Liquidity Guaranty Program by the Federal Deposit Insurance Corp. ("FDIC"). Under the terms of this program, the FDIC guarantees payment of principal and interest.
- (3) The obligations of certain U.S. Government-sponsored entities are neither issued nor guaranteed by the United States Treasury. On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed FNMA and FHLMC in conservatorship. The United States Treasury has put in place a set of financing agreements to ensure that these entities continue to meet their obligations to holders of bonds that they have issued or guaranteed.
- (4) The nature and terms of the collateral received for the repurchase agreements are as follows:

NAME	FAIR MARKET VALUE (000S)	COUPON RATES	MATURITY DATES
FHLMC	\$76,121	2.70% - 7.00%	9/1/24 - 5/1/40
FNMA	\$350,544	3.51% - 9.40%	2/1/19 - 6/1/40
GNMA	\$716,492	6.00%	10/20/38

- (5) The cost for federal income tax purposes was \$5,346,489.

Percentages shown are based on Net Assets.

At May 31, 2010, the maturity analysis for the Prime Obligations Portfolio as a percentage of investments was:

MATURITY ANALYSIS	%
1 Day	45.1%
2 - 15 Days	14.2
16 - 30 Days	11.3
31 - 60 Days	12.0
61 - 97 Days	5.7
98 - 180 Days	2.1
181 - 270 Days	4.7
271 + Days	4.9
Total	100.0%

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three levels listed below:

Level 1 – Quoted market prices in active markets for identical securities on the measurement date and on an ongoing basis.

Level 2 – Other observable inputs (e.g., quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmark interest rates and yield curves, and/or securities indices).

Level 3 – Significant unobservable inputs (e.g., information about assumptions, including risk, market participants would use in pricing a security).

See Notes to the Financial Statements.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and other financial instruments, if any. Following is a summary of the inputs used in valuing the Prime Obligations Portfolio's investments, which are carried at fair value, as of May 31, 2010:

	LEVEL 1 (000S)	LEVEL 2 (000S)	LEVEL 3 (000S)	TOTAL (000S)
Investments held by				
Prime Obligations				
Portfolio	\$ —	\$5,346,489 ⁽¹⁾	\$ —	\$5,346,489

(1) Classifications as defined in the Schedule of Investments.

See Notes to the Financial Statements.

ABBREVIATIONS AND OTHER INFORMATION

MAY 31, 2010 (UNAUDITED)

EXPLANATION OF ABBREVIATIONS USED THROUGHOUT THE SCHEDULE OF INVESTMENTS

FDIC	Federal Deposit Insurance Corporation	FRCD	Floating Rate Certificates of Deposit
FFCB	Federal Farm Credit Bank	FRN	Floating Rate Notes
FHLB	Federal Home Loan Bank	GNMA	Government National Mortgage Association
FHLMC	Federal Home Loan Mortgage Corporation	Gtd.	Guaranteed
FNMA	Federal National Mortgage Association		

Interest rates represent either the stated coupon rate, annualized yield on date of purchase for discounted notes, or, for floating rate securities, the current reset rate.

Maturity dates represent either the stated date on the security or the next interest reset/puttable date for floating and variable rate securities.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Northern Institutional Funds (the “Trust”) is a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Trust includes 21 portfolios as of May 31, 2010, each with its own investment objective (e.g., long-term capital appreciation, total return or income consistent with preservation of capital). The Prime Obligations Portfolio (the “Portfolio”) seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high-quality money market instruments. Northern Trust Investments, N.A. (“NTI”), a subsidiary of The Northern Trust Company (“Northern Trust”), serves as the investment adviser for the Portfolio. Northern Trust serves as the custodian and transfer agent for the Trust. NTI serves as the Trust’s administrator. Northern Funds Distributors, LLC is the Trust’s distributor.

The Portfolio is authorized to offer three classes of shares: Shares, Service Shares and Premier Shares. Each class is distinguished by the level of administrative, liaison and transfer agent service provided. At May 31, 2010, Shares and Service Shares were outstanding. Premier Shares are not currently offered to investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of the financial statements. These policies are in conformity with U.S. generally accepted accounting principles or “GAAP.” The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The net asset value (“NAV”) of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange (“NYSE”), generally 3:00 P.M. Central time, on each day the NYSE is open for trading.

A) VALUATION OF SECURITIES The investments held by the Portfolio are valued at amortized cost, which the investment adviser has determined, pursuant to Board of Trustees’ authorization, approximates fair market value. Under this method, investments purchased at a discount or premium are valued by accreting or amortizing the difference between the original purchase price and maturity value of the issue over the period to maturity.

B) REPURCHASE AGREEMENTS The Portfolio may enter into repurchase agreements under which it purchases securities for cash from a seller and agrees to resell those securities to the same

seller within a specified time at a specified price. During the term of a repurchase agreement, the market value of the underlying collateral, including accrued interest, is required to equal or exceed the market value of the repurchase agreement. The underlying collateral for tri-party repurchase agreements is held in accounts for Northern Trust, as agent of the Portfolio, at the Bank of New York or JPMorgan Chase which, in turn, holds securities through the book-entry system at the Federal Reserve Bank of New York. The underlying collateral for other repurchase agreements is held in a customer-only account for Northern Trust, as custodian for the Portfolio, at the Federal Reserve Bank of Chicago. The Portfolio is subject to credit risk on repurchase agreements to the extent that the counterparty fails to perform under the agreement and the value of the collateral received falls below the agreed repurchase price.

C) INVESTMENT TRANSACTIONS AND INCOME Investment transactions are recorded as of the trade date. The Portfolio determines the gain or loss realized from investment transactions by using an identified cost basis method. Interest income is recognized on an accrual basis and includes amortization of premiums and accretion of discounts.

D) EXPENSES The Portfolio is charged for those expenses that are directly attributable to the Portfolio. Certain expenses arising in connection with a class of shares are charged to that class of shares. Expenses incurred which do not specifically relate to the Portfolio are allocated among all the portfolios in the Trust in proportion to each portfolio’s relative net assets.

E) DISTRIBUTIONS TO SHAREHOLDERS The Portfolio’s net investment income is declared daily and paid monthly. Net realized short-term capital gains, if any, in excess of net capital loss carryforwards, are declared and paid at least annually.

Distributions of net investment income with respect to a calendar month (including with respect to shares redeemed at any time during the month) are made as soon as practicable following the end of the month. Distributions are made by the Portfolio to Northern Trust in cash or automatically reinvested in additional shares of the Portfolio. Northern Trust has undertaken to credit or arrange for the crediting of such distributions to each shareholder’s account with Northern Trust, its affiliates or its correspondents. The Portfolio may periodically make reclassifications among certain of its capital accounts to reflect differences between financial reporting and federal income tax basis distributions. These reclassifications were reported in order to reflect the tax treatment for certain permanent differences that exist between income tax regulations and GAAP. These reclassifications may relate to net operating losses, expired capital loss carryforwards, and gain or loss on in-kind transactions. These reclassifications have no impact on the total net assets or the net asset value of the Portfolio. At May 31, 2010, the Portfolio

reclassified approximately \$4,000 of undistributed net investment income and \$(4,000) of accumulated undistributed net realized gains (or losses).

F) FEDERAL INCOME TAXES No provision for federal income taxes has been made since the Portfolio's policy is to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute, each year, substantially all of its taxable income and tax-exempt income to its shareholders.

At November 30, 2009, the capital loss carryforward for U.S. federal income tax purposes and the respective year of expiration was as follows:

Amount in thousands	NOVEMBER 30, 2017
Prime Obligations	\$4

The Portfolio may offset future capital gains with this capital loss carryforward.

At November 30, 2009, the tax component of undistributed net investment income and realized gains, including amounts declared but not yet paid for federal income tax purposes, was as follows:

UNDISTRIBUTED ORDINARY INCOME*

Amount in thousands	
Prime Obligations	\$609

* Ordinary income includes taxable market discount income and short-term capital gains, if any.

The tax character of distributions paid during the fiscal years ended November 30, 2009 and 2008 was as follows:

DISTRIBUTED FROM ORDINARY INCOME*

Amounts in thousands	2009	2008
Prime Obligations	\$12,823	\$104,290

* Ordinary income includes taxable market discount income and short-term capital gains, if any.

As of November 30, 2009, the Portfolio had no uncertain tax positions that would require financial statement recognition or disclosure. The Portfolio's federal tax returns filed for the fiscal years ended November 30, 2006 through November 30, 2009 remain subject to examination by the Internal Revenue Service.

3. ADVISORY, TRANSFER AGENCY AND CUSTODIAN AGREEMENTS

As compensation for advisory services and assumption of related expenses, the investment adviser is entitled to receive a fee,

calculated daily and payable monthly, at an annual rate of 0.15 percent of the Portfolio's average daily net assets. Prior to April 1, 2010, the investment adviser voluntarily waived 0.05 percent of the advisory fee. The effect of this waiver by the investment adviser for the six months ended May 31, 2010, reduced advisory fees as shown in the accompanying Statement of Operations. Starting April 1, 2010, the investment adviser has contractually agreed to waive a portion of the advisory fees charged to the Portfolio in the same amount that it previously voluntarily waived. The contractual waiver arrangement is expected to continue until at least April 1, 2011. After this date, the investment adviser or the Portfolio may terminate the contractual arrangement.

In addition, the investment adviser may reimburse class-specific and portfolio level expenses of the Portfolio, as necessary. Any such expense reimbursement would be voluntary and could be implemented, increased or decreased, or discontinued at any time. The investment adviser reimbursed class-specific and portfolio level expenses of the Portfolio, as necessary, during the six months ended May 31, 2010. Portfolio level expenses reimbursed by the investment adviser were allocated among the share classes in proportion to the relative net assets of each class. The amounts reimbursed by the investment adviser are shown in the accompanying Statement of Operations.

As compensation for the services rendered as the transfer agent, including the assumption by Northern Trust of the expenses related thereto, Northern Trust receives a fee, accrued daily and payable monthly, at the following annual rates: (a) \$18 for each subaccount relating to the Shares Class of the Portfolio; (b) 0.01 percent of the average daily net asset value of the outstanding Service Shares Class of the Portfolio; and (c) 0.02 percent of the average daily net asset value of the outstanding Premier Shares Class of the Portfolio.

Class-specific transfer agent fees for the six months ended May 31, 2010, were as follows:

Amounts in thousands	SHARES	SERVICE SHARES
Prime Obligations	\$23	\$5

For compensation as custodian, Northern Trust receives an amount based on a pre-determined schedule of charges approved by the Board of Trustees. The Portfolio has entered into an expense off-set arrangement with the custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolio's custodian expenses. Custodian credits, if any, are reflected in the Portfolio's Statement of Operations.

4. ADMINISTRATION, DISTRIBUTION AND OTHER AGREEMENTS

NTI, as Administrator, is entitled to an administration fee from the Portfolio at the annual rate of 0.10% of the average daily net assets of the Portfolio. Under the Administration Agreement with the Trust, which may be amended by the Trust's Board of Trustees without shareholder approval, NTI, as Administrator, has agreed to reimburse expenses (including fees payable to NTI for its services as Administrator, but excluding management fees, transfer agency fees, service agent fees, taxes, interest and other extraordinary expenses) ("Expenses") that exceed on an annualized basis 0.10% of the Portfolio's average daily net assets. In addition, NTI as Administrator has contractually agreed through at least April 1, 2011 to reimburse an additional portion of the Portfolio's "Other Operating Expenses" so that the Portfolio's Expenses do not exceed 0.05% of its average daily net assets.

NTI also has a sub-administration agreement with Northern Trust, pursuant to which Northern Trust performs certain administrative services for the Portfolio. NTI pays Northern Trust for its sub-administration services out of NTI's administration fees.

The expenses reimbursed during the six months ended May 31, 2010, under such agreements are shown in the accompanying Statement of Operations.

Northern Funds Distributors, LLC, the distributor for the Portfolio, received no compensation from the Portfolio under its distribution agreement. However, it received compensation from NTI for its services as distributor pursuant to a separate letter agreement between it and NTI.

Certain officers of the Trust are also officers of Northern Trust and NTI. All officers serve without compensation from the Portfolio. The Trust provides a deferred compensation plan for its Trustees who are not officers of Northern Trust or NTI. Under the deferred compensation plan, Trustees may elect to defer all or a portion of their compensation. Amounts deferred are included in "Trustee Fees" on the Statement of Assets and Liabilities. Each Trustee's account shall be deemed to be invested in shares of the Diversified Assets Portfolio and/or Global Tactical Asset Allocation Portfolio of Northern Institutional Funds and/or at the discretion of the Trust, another money market fund selected by the Trust that complies with the provisions of Rule 2a-7 under the 1940 Act or one or more short-term fixed-income instruments selected by the Trust that are "eligible securities" as defined by that rule. The net investment income, gains and losses achieved by such deemed investment shall be credited to the Trustee's account as provided in the plan.

5. SERVICE PLAN

The Trust has adopted a Service Plan pursuant to which the Trust may enter into agreements with Northern Trust, its affiliates or other institutions under which they will render certain administrative support services and in some cases, personal and account maintenance services for their customers or investors who beneficially own Service Shares and Premier Shares. As compensation under the Service Plan, the institution or other financial intermediary receives a fee at an annual rate of up to 0.25 percent and 0.50 percent of the average daily net asset value of the outstanding Service Shares and Premier Shares, respectively. The shareholder servicing fees are included on the Statement of Operations.

Certain amounts of shareholder servicing fees were reimbursed to the Portfolio by the investment adviser. For further information, please refer to Note 3.

6. BANK BORROWINGS

The Trust has entered into a \$100,000,000 revolving bank credit agreement administered by Deutsche Bank AG for liquidity and other purposes. The interest rate charged under the agreement depends on the type of loan. For base rate loans, the interest rate is the sum of the applicable margin (either 0.75 percent or zero) and the highest of (i) 0.50 percent in excess of the Federal Funds Rate, (ii) 1.00 percent in excess of the Adjusted London Interbank Offered Rate ("LIBOR") and (iii) the prime lending rate. For LIBOR loans, the interest rate is the sum of the applicable margin (0.75 percent) and the LIBOR then in effect. For an Interbank Offered Rate ("IBOR") loan, the interest rate is the sum of the applicable margin (0.75 percent) and the IBOR then in effect. In addition, there is an annual commitment fee of 12 basis points on the unused portion of the credit line under the agreement, payable quarterly in arrears, which is included in Other expenses on the Statement of Operations. The agreement will expire on December 9, 2010, unless renewed.

At May 31, 2010, the Portfolio did not have any outstanding loans. The Portfolio did not incur any interest expense.

7. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for the six months ended May 31, 2010, were as follows:

	PROCEEDS		PAYMENTS		NET DECREASE IN NET ASSETS
	FROM SHARES SOLD	REINVESTMENT OF DIVIDENDS	FOR SHARES REDEEMED		
<i>Amounts in thousands*</i>					
Shares	\$12,891,913	\$459	\$(12,165,520)		\$726,852
Service Shares	112,390	-	(135,637)		(23,247)

* *The number of shares sold, reinvested and redeemed approximates the dollar amount of transactions.*

Transactions in capital shares for the fiscal year ended November 30, 2009, were as follows:

Amounts in thousands*	PROCEEDS		PAYMENTS FOR SHARES REDEEMED	NET INCREASE (DECREASE) IN NET ASSETS
	FROM SHARES SOLD	REINVESTMENT OF DIVIDENDS		
Shares	\$14,083,761	\$3,100	\$(11,474,768)	\$2,612,093
Service Shares	261,660	-	(298,239)	(36,579)

* The number of shares sold, reinvested and redeemed approximates the dollar amount of transactions.

8. NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (“ASU 2010-06”). ASU 2010-06 amends ASC 820, *Fair Value Measurements and Disclosures* (formerly FASB Statement No. 157). Specifically, ASU 2010-06 requires entities to disclose: a) the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; b) the reasons for any transfers in or out of Level 3; and c) information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition, ASU 2010-06 clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. Except for the requirement to disclose information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements on a gross basis, all ASU 2010-06 disclosure requirements are effective for financial statements issued for interim and annual reporting periods beginning after December 15, 2009. The requirement to separately disclose purchases, sales, issuances and settlements of recurring Level 3 measurements is effective for financial statements issued for interim and annual reporting periods beginning after December 15, 2010. At this time, management is evaluating the implications of ASU 2010-06 and the impact it will have to the Portfolio’s financial statement disclosures.

9. SUBSEQUENT EVENT

Management has evaluated subsequent events for the Portfolio through the date the financial statements were available to be issued, and has concluded that there are no recognized or non-recognized subsequent events relevant for financial statement disclosure.

As a shareholder of the Portfolio, you incur ongoing costs, including advisory fees; distribution (12b-1) fees, if any; and other fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, December 1, 2009 through May 31, 2010.

ACTUAL EXPENSES

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid 12/1/09 - 5/31/10" to estimate the expenses you paid on your account during this period.

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second line in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratios and an assumed rate of return of 5 percent per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5 percent hypothetical example with the 5 percent hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. As a shareholder of the Portfolio, you do not incur any transaction costs, such as sales charges (loads), redemption fees, or exchange fees, but shareholders of other funds may incur such costs. Therefore, the hypothetical information is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

PRIME OBLIGATIONS

SHARES	EXPENSE RATIO	BEGINNING ACCOUNT VALUE 12/1/09	ENDING ACCOUNT VALUE 5/31/10	EXPENSES PAID * 12/1/09 - 5/31/10
Actual	0.15%	\$1,000.00	\$1,000.60	\$0.75
Hypothetical	0.15%	\$1,000.00	\$1,024.18	\$0.76**
SERVICE SHARES				
Actual	0.27%	\$1,000.00	\$1,000.10	\$1.35
Hypothetical	0.27%	\$1,000.00	\$1,023.59	\$1.36**

* Expenses are calculated using the Portfolio's annualized expense ratios, which represent ongoing expenses as a percentage of net assets for the six months ended May 31, 2010. Expenses are calculated by multiplying the annualized expense ratio by the average account value over the period; then multiplying the result by the number of days in the most recent fiscal half year (182); and then dividing that result by the number of days in the current fiscal year (365).

** Hypothetical expenses are based on the Portfolio's actual annualized expense ratios and an assumed rate of return of 5 percent per year before expenses.

APPROVAL OF ADVISORY AGREEMENT

The Trustees oversee the management of Northern Institutional Funds (the “Trust”), and review the investment performance and expenses of the Prime Obligations Portfolio (the “Portfolio”) at regularly scheduled meetings held during the Portfolio’s fiscal year. In addition, the Trustees determine annually whether to approve and continue the Trust’s investment advisory agreement (the “Advisory Agreement”) for the Portfolio with Northern Trust Investments, N.A. (“NTI” or “the Investment Adviser”).

Because applicable regulations require annual approval of advisory agreements, the Advisory Agreement was re-approved with respect to the Portfolio by the Trustees, including all of the Trustees who are not parties to the Advisory Agreement or “interested persons” (as defined in the Investment Company Act of 1940, as amended) of any party thereto (the “Independent Trustees”), at the annual contract renewal meeting held on May 6-7, 2010 (the “Annual Contract Meeting”).

In preparation for the Trustees’ consideration of the Advisory Agreement at the Annual Contract Meeting, the Trustees received written materials and oral presentations relating to the Advisory Agreement. At the meeting, the Trustees considered the Investment Adviser’s oral presentations and discussed the information that had been provided. In connection with their deliberations, the Trustees were advised by their independent legal counsel regarding their responsibilities under applicable law, and met in executive sessions at the Annual Contract Meeting without employees of the Investment Adviser present.

In evaluating the Advisory Agreement at the Annual Contract Meeting, the Trustees relied upon their knowledge, resulting from their meetings and other interactions throughout the year and in past years, of the Investment Adviser, its services and the Portfolio. Both in meetings specifically dedicated to the review of the Advisory Agreement and in other meetings held during the year, the Trustees received materials relating to the Investment Adviser’s investment management services. These materials included: (i) information on the investment performance of the Portfolio in comparison to other mutual funds; (ii) general investment outlooks in the markets in which the Portfolio invests; (iii) compliance reports; (iv) information about the Investment Adviser’s and its affiliates’ risk management processes; (v) expenses borne by the Portfolio; (vi) the Investment Adviser’s profitability; (vii) the qualifications of the Investment Adviser and its affiliates to provide services to the Portfolio; and (viii) policies adopted by the Investment Adviser regarding brokerage, trade allocations and other matters.

Specifically in connection with the Trustees’ approval of the Advisory Agreement, the Trustees reviewed, among other things, information relating to: (i) the terms of the Advisory Agreement; (ii) the Portfolio’s investment performance over different time periods in comparison to the investment performance of a mutual

fund peer group and categories selected by Lipper Inc. (“Lipper”), a third-party provider of mutual fund data; (iii) the contractual investment advisory fees, the actual investment advisory fees (after voluntary waivers) and the total expenses borne by the Portfolio in comparison to those borne by mutual fund peer groups and categories selected by Lipper; (iv) the investment advisory fees charged by the Investment Adviser to the Investment Adviser’s other institutional accounts; (v) the Investment Adviser’s staffing for the Portfolio and the experience of the portfolio manager and other personnel; (vi) the Investment Adviser’s financial resources and its ability to attract and retain portfolio management talent; (vii) the fees paid by the Portfolio to the Investment Adviser and its affiliates for services, and the expenses incurred by them in connection with the provision of those services; and (viii) the benefits received by the Investment Adviser and its affiliates from their relationships with the Portfolio. In connection with their approval of the Advisory Agreement for the Portfolio, the Trustees gave weight to various factors, but did not identify any single factor as controlling their decision.

Nature, Quality and Extent of Services

As part of their review, the Trustees considered the nature, extent and quality of the services provided by the Investment Adviser. The Trustees also considered both the investment advisory services, and the other non-advisory services, that are provided to the Portfolio by the Investment Adviser and its affiliates. These services include services as the Portfolio’s custodian, transfer agent, and administrator. The Trustees considered the quality of the non-advisory services provided, as well as the expenditures made by the Investment Adviser and its affiliates to improve the quality and scope of such services, specifically noting information about periodic favorable reports by third parties and industry rankings provided to the Trustees. The Trustees also considered the Investment Adviser’s record of communicating with and servicing shareholders. Attention was given to the Investment Adviser’s and its affiliates diligent and expanded risk management processes, including the steps taken to strengthen the credit risk management processes in the past year and to implement the new Securities and Exchange Commission (“SEC”) regulatory requirements for the Portfolio. The Trustees also discussed the Investment Adviser’s continued commitments to address other regulatory compliance requirements applicable to the Portfolio, the compliance oversight program with respect to all of the Portfolio’s service providers, and the continued active involvement of internal audit in reviewing operations related to the Portfolio. The Trustees noted the Investment Adviser’s and its affiliates’ strong financial position, stability and commitment to the Portfolio, as evidenced by their support to the Portfolio to maintain a positive yield during the past year, as well as their commitment of other resources. The Trustees concluded that the Investment Adviser was both able to commit, and had committed, substantial financial and other resources to the operations of the Portfolio and was able to provide quality services to the Portfolio.

Performance

The Trustees also considered the investment performance of the Portfolio. In this regard, the Trustees considered whether the Portfolio had operated within its investment objective, as well as its compliance with its investment restrictions. They also compared the investment performance of the Portfolio to the performance of other SEC-registered funds and to rankings and ratings issued by third parties. Information on the Portfolio's investment performance was provided for one, two, three, four and five years. The Trustees also considered the Portfolio's investment performance in light of the investment objective and credit parameters applicable to the Portfolio, the investor base the Portfolio is intended to serve, and the steps taken by the Investment Adviser to manage the Portfolio to maintain a stable net asset value during the market environments in recent years. In addition, the Trustees reviewed the consistency of the Investment Adviser's investment approach for the Portfolio. They also considered the Portfolio's compliance with SEC regulations applicable to money market mutual funds and the stability of the Portfolio's net asset value. Based on the information provided, the Trustees believed that the Portfolio had provided competitive yields in light of its investment objective and policies.

Fee Rates, Costs of Services and Profitability

The Trustees also considered the Portfolio's contractual advisory fee rate; the Portfolio's total operating expense ratio; the Investment Adviser's voluntary fee waivers and expense reimbursements with respect to the Portfolio; the Investment Adviser's contractual commitment to continue certain fee waivers and expense reimbursements for at least one year; the extent of the Investment Adviser's voluntary expense reimbursements to maintain a positive yield for the Portfolio; and whether a consistent methodology was in place in determining the fees and expenses of the Portfolio. Information on the services rendered by the Investment Adviser to the Portfolio, the fee rate paid by the Portfolio under the Advisory Agreement and the Portfolio's total operating expense ratio were compared to similar information for other mutual funds advised by the Investment Adviser and other, unaffiliated investment management firms. Many of the comparisons of the Portfolio's fee rate and total operating expense ratio were prepared by Lipper. The Trustees noted that the Portfolio's advisory fee rate after waivers, and the total expense ratio after waiver of fees and reimbursement of expenses were at or below the peer group medians determined by Lipper. Information was also provided on the fee rates charged by the Investment Adviser to private accounts managed by it. With regard to these clients, the Trustees considered the difference in services provided by the Investment Adviser, regulatory, operational and compliance differences, board and committee support and other differences. These comparisons assisted the Trustees in evaluating the reasonableness of the investment advisory fees paid by the Portfolio.

In addition, the Trustees considered the amount of assets in the Portfolio; the information provided by the Investment Adviser relating to the costs of the services provided by the Investment Adviser and its affiliates and the profits realized by them. The Trustees reviewed the Investment Adviser's methodology for allocating costs to the Portfolio, recognizing that cost allocation methodologies are inherently subjective. The Trustees noted that, although the Investment Adviser's methodology was continuously refined, it had remained consistent with what had been presented to the Trustees in prior years and had previously been reviewed by Portfolio's auditors for reasonability. The Trustees also reviewed information with respect to the Investment Adviser's profitability compared to other publicly-traded advisers. However, the Trustees discussed how these profitability comparisons among advisers may not be meaningful due to the small number of firms in the survey and the numerous other factors that can affect adviser profitability, including for example, firm structure, different business lines and cost allocation methodology.

Economies of Scale

The Trustees considered the fees paid by the Portfolio to the Investment Adviser and its affiliates for custodial, transfer agency, and administration services (including contractual reimbursements made by the affiliate performing administration services), and reviewed information as to whether the Investment Adviser had passed, and was likely to continue to pass, benefits from its economies of scale to shareholders. In this regard, the Trustees considered the Investment Adviser's view that the Portfolio may be sharing in economies of scale through the level at which the Portfolio's advisory fees are set and through the Investment Adviser's contractual fee waivers and voluntary reimbursements of the Portfolio's expenses to maintain a positive yield and its contractual expense reimbursements that limit the expenses for the Portfolio to specific levels.

Other Benefits to the Investment Adviser

The Trustees also reviewed other benefits accruing to the Investment Adviser and its affiliates as a result of its relationship with the Portfolio. These benefits included fees received by the affiliates for transfer agency, administrative, accounting and custodial functions. The Trustees also considered that many of the Portfolio's shareholders had other client relationships with The Northern Trust Company.

After deliberation, the Trustees concluded at the Annual Contract Meeting with respect to the Portfolio that the fees paid by the Portfolio were reasonable in light of the services provided by the Investment Adviser, its actual costs and the Portfolio's current and reasonably foreseeable asset levels, and that the Advisory Agreement should be approved and continued.

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FOR MORE INFORMATION

PORTFOLIO HOLDINGS

Northern Institutional Funds files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Portfolio’s Forms N-Q are available on the SEC’s Web site at sec.gov. You may also review and obtain copies at the SEC’s Public Reference Room in Washington, D.C. Information about the Public Reference Room may be obtained by calling 800-SEC-0330.

PROXY VOTING

Northern Institutional Funds’ Proxy Voting Policies and Procedures and the Fund’s portfolio securities voting record for the 12-month period ended June 30 are available upon request and without charge by visiting Northern Institutional Funds’ Web site at northernfunds.com/institutional or the SEC’s Web site at sec.gov or by calling the Northern Institutional Funds Center at 800-637-1380.

PROTECTING YOUR PRIVACY

Protecting your privacy is important at Northern Institutional Funds, which is why we wanted you to know:

- We do not sell non-public personal information about our investors or former investors to any outside company.
- We have policies that limit access to your information to only those people who need it to perform their jobs and provide services to you, and we have physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.
- We collect information about you from applications, forms, conversations and your use of our Web site; third parties with your permission; and your transactions with us, our affiliates and our joint marketing partners.
- We do not disclose the information we collect about our investors or former investors to anyone, except to companies that perform services for us, financial institutions with whom we have joint marketing agreements such as Northern Trust, (1) for our everyday purposes, such as to process transactions, maintain accounts, respond to court orders and legal investigations or report to credit bureaus or (2) as permitted by law.
- The information includes account balances and account history. You may limit our use or sharing of information about you with our affiliates and joint marketing partners for marketing purposes by calling 800-637-1380 weekdays from 7:00 a.m. to 7:00 p.m. Central time, or by writing to us at Northern Institutional Funds, P.O. Box 75986, Chicago IL 60675-5986.

If our information sharing practices change, we will send you a revised notice. You can also visit our Web site, northernfunds.com/institutional, for an online version of our current privacy notice.

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