NORTHERN INSTITUTIONAL FUNDS

PRIME OBLIGATIONS PORTFOLIO

SEMI-ANNUAL REPORT

MAY 31, 2017

NORTHERN INSTITUTIONAL FUNDS®

MANAGED BY NORTHERN TRUST

A MESSAGE FROM

BOB BROWNE

CHIEF INVESTMENT OFFICER

The short-term segment of the U.S. fixed-income market posted a modest gain in the six-month period ended May 31, 2017, with the benefit of coupon income offsetting a small decline in prices. The yield on the two-year U.S. Treasury note moved within the 1.10% to 1.15% range in early December 2016, before trading higher in mid-December 2016. Yields on the two-year U.S. Treasury note were fairly stable thereafter, fluctuating between a low of 1.15% on February 8, 2017 and a high of 1.40% on March 14, 2017. The two-year U.S. Treasury note ultimately closed at 1.28% on May 31, 2017, 17 basis points above its level of November 30, 2016 and underperforming the 10-year U.S. Treasury note, leading to a flattening of the yield curve.

The relatively stable market conditions reflected investor confidence in the ability of the U.S. Federal Reserve (the "Fed") to maintain a gradual, well-telegraphed approach to raising interest rates. While economic growth in the United States remained healthy, there was scant evidence that it was accelerating to an above-trend pace that would spur more aggressive Fed action. Further, hopes for more stimulative fiscal policy following the U.S. election gradually waned as 2017 progressed. Investors remained comfortable with expectations that the Fed is likely to raise interest rates only two more times in 2017, despite its somewhat surprising decision to boost interest rates by a quarter of a point at its March 2017 meeting.

With this said, we believe that central banks and politicians continue to represent a potential source of volatility for the markets. We do not expect inflation pressures to force the Fed's hand, which should allow it to maintain a steady course and begin the process of slowly shrinking its $4.5 trillion balance sheet. However, given that the unemployment rate in the United States hit a cycle low of 4.4% in April 2017, we are watching closely for a breakout in wage inflation. On the political front, recent developments in Europe indicate reduced risk of unexpected market disruptions from overseas. In addition, the markets appear increasingly inured to the U.S. political environment. The checks and balances inherent in the U.S. system are an important reason that investors have not been too unsettled by the political turbulence in Washington, and we expect that this dynamic can continue. Still, we would note that the risks of populist policies remain in place given that politicians continue to respond to the pressures that gave rise to these movements.

With regard to specific investment categories, we believe that market dislocations resulting from money market reform have created relative value in short-term, tax-exempt U.S. securities. Technical factors within the markets have caused yield spreads between municipal securities and Treasuries to widen significantly, and municipal money market funds have provided investors with a large premium over government money market funds on a tax-equivalent basis thus far in 2017. Amid investor expectations for additional Fed interest rate hikes, we believe that short-term municipals may offer an attractive option for tax-exempt income generation. Additionally, given the sustained demand for short-term government securities, we believe that the yield advantage on short-term municipals offers a favorable risk/reward tradeoff. As U.S. monetary policy begins to normalize, the "cost" of holding cash has begun to diminish, creating what we see as compelling relative value in the short-term segment of the yield curve.

Bob Browne
Chief Investment Officer
Northern Trust

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You could lose money by investing in the Portfolio. Because the share price of the Portfolio will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Portfolio may impose a fee upon sale of your shares or may temporarily suspended your ability to sell shares if the Portfolio's liquidity falls below required minimums because of market conditions or other factors. An investment in the Portfolio is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC"), any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank. The Portfolio's sponsor has no legal obligation to provide financial support to the Portfolio, and you should not expect that the sponsor will provide financial support to the Portfolio at any time.

Northern Institutional Funds are distributed by Northern Funds Distributors, LLC, Three Canal Plaza, Suite 100, Portland, Maine 04101, not affiliated with Northern Trust.

NOT FDIC INSURED
May lose value / No bank guarantee

STATEMENT OF ASSETS AND LIABILITIES

MAY 31, 2017 (UNAUDITED)

Amounts in thousands, except per share data	PRIME OBLIGATIONS PORTFOLIO
ASSETS:	
Investments, at value	$1,511,275
Repurchase agreements, at value	170,000
Cash	22,709
Interest income receivable	1,492
Receivable from affiliates for expense reimbursements	28
Prepaid and other assets	4
Total Assets	1,705,508
LIABILITIES:	
Payable for fund shares redeemed	11
Distributions payable to shareholders	1,351
Payable to affiliates:	
Management fees	183
Custody fees	31
Transfer agent fees	21
Trustee fees	4
Accrued other liabilities	78
Total Liabilities	1,679
Net Assets	$1,703,829
ANALYSIS OF NET ASSETS:	
Capital stock	$1,703,412
Accumulated undistributed net investment loss	(4)
Accumulated undistributed net realized gain	18
Net unrealized appreciation	403
Net Assets	$1,703,829
Total Shares Outstanding (no par value, unlimited shares authorization)	**1,703,404**
Net Asset Value, Redemption and Offering Price Per Share	**$1.0003**
Investments, at cost	$1,510,872
Repurchase agreements, at cost	170,000

See Notes to the Financial Statements.

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED MAY 31, 2017 (UNAUDITED)

Amounts in thousands	PRIME OBLIGATIONS PORTFOLIO
INVESTMENT INCOME:	
Interest income	$8,276
Total Investment Income	8,276
EXPENSES:	
Management fees	1,104
Custody fees	118
Transfer agent fees	128
Registration fees	57
Printing fees	19
Professional fees	33
Trustee fees	14
Other	44
Total Expenses	1,517
Less expenses contractually reimbursed by investment adviser	(208)
Less custodian credits	(21)
Net Expenses	1,288
Net Investment Income	**6,988**
NET REALIZED AND UNREALIZED GAINS:	
Net realized gains on:	
Investments	18
Net change in unrealized appreciation on:	
Investments	102
Net Gains	120
Net Increase in Net Assets Resulting from Operations	**$7,108**

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED MAY 31, 2017 (UNAUDITED) OR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	PRIME OBLIGATIONS PORTFOLIO	
Amounts in thousands	**2017**	**2016**
OPERATIONS:		
Net investment income	$6,988	$13,274
Net realized gains	18	321
Net change in unrealized appreciation	102	301
Net Increase in Net Assets Resulting from Operations	7,108	13,896
CAPITAL SHARE TRANSACTIONS:		
Net decrease in net assets resulting from Shares transactions	(7,253)	(1,899,370)
Net decrease in net assets resulting from Service Shares transactions	(127)	(37,331)
Net decrease in net assets resulting from GFS Shares transactions(1)	—	(361,707)
Net Decrease in Net Assets Resulting from Capital Share Transactions	(7,380)	(2,298,408)
DISTRIBUTIONS TO SHARES SHAREHOLDERS:		
From net investment income	(7,011)	(12,286)
From net realized gains	(37)	—
Total Distributions to Shares Shareholders	(7,048)	(12,286)
DISTRIBUTIONS TO SERVICE SHARES SHAREHOLDERS:		
From net investment income	(2)	(153)
Total Distributions to Service Shares Shareholders	(2)	(153)
DISTRIBUTIONS TO GFS SHARES SHAREHOLDERS:		
From net investment income	—	(1,192)
Total Distributions to GFS Shares Shareholders	—	(1,192)
Total Decrease in Net Assets	**(7,322)**	**(2,298,143)**
NET ASSETS:		
Beginning of period	1,711,151	4,009,294
End of period	$1,703,829	$1,711,151
Accumulated Undistributed Net Investment Income (Loss)	**$(4)**	**$21**

(1) *Effective November 17, 2016, the GFS Shares was terminated and is no longer offered to shareholders.*

See Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED MAY 31, 2017 (UNAUDITED) OR THE FISCAL YEARS ENDED NOVEMBER 30,

PRIME OBLIGATIONS PORTFOLIO	SHARES					
Selected per share data	2017	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	**$1.0002**	**$1.0000[1]**	**$1.00**	**$1.00**	**$1.00**	**$1.00**
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income	0.0041	0.0040[2]	—[3]	—[3]	—[3]	—[3]
Net realized and unrealized gains (losses)	0.0001	0.0006	—[3]	—[3]	—[3]	—[3]
Total from Investment Operations	0.0042	0.0046	—	—	—	—
LESS DISTRIBUTIONS PAID:						
From net investment income	(0.0041)	(0.0044)	—[3]	—[3]	—[3]	—[3]
From net realized gains	—[4]	—	—	—	—	—
Total Distributions Paid	(0.0041)	(0.0044)	—	—	—	—
Net Asset Value, End of Period	$1.0003	$1.0002	$1.00	$1.00	$1.00	$1.00
Total Return[5]	**0.42%**	**0.46%**	**0.06%**	**0.02%**	**0.06%**	**0.08%**
SUPPLEMENTAL DATA AND RATIOS:						
Net assets, in thousands, end of period	$1,703,829	$1,711,024	$3,610,101	$3,649,756	$3,436,400	$3,690,819
Ratio to average net assets of:[6]						
Expenses, net of waivers, reimbursements and credits	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Expenses, before waivers, reimbursements and credits	0.18%	0.17%	0.17%	0.24%	0.27%	0.28%
Net investment income, net of waivers, reimbursements and credits	0.82%	0.40%	0.06%	0.02%	0.06%	0.07%
Net investment income (loss), before waivers, reimbursements and credits	0.79%	0.38%	0.04%	(0.07)%	(0.06)%	(0.06)%

(1) *Transacted at two decimals until October 11, 2016 (see Note 1).*

(2) *Net investment income was calculated using the average shares outstanding method.*

(3) *Per share amounts from net investment income, net realized and unrealized gains (losses) and distributions paid from net investment income were less than $0.01 per share.*

(4) *Per share amount from distributions paid from net realized gains was less than $0.0001 per share.*

(5) *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. The total return is not annualized for periods less than one year.*

(6) *Annualized for periods less than one year.*

See Notes to the Financial Statements.

PRIME OBLIGATIONS PORTFOLIO

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
ABS COMMERCIAL PAPER – 10.5%		
ABS Other – 10.5%		
Bedford Row Funding Corp.,		
1.24%, 6/5/17[1] [2]	$20,000	$20,009
Bennington Stark Capital Co. LLC,		
1.07%, 6/1/17[1]	25,000	24,999
1.07%, 6/12/17[1]	7,000	6,998
Charta Corp. LLC,		
1.17%, 6/22/17[1]	15,000	14,991
Collateralized Commercial Paper Co. LLC,		
1.29%, 6/8/17[2]	12,000	12,008
1.20%, 6/19/17[2]	12,000	12,000
Concord Minutemen Capital Co. LLC, Class A,		
1.02%, 6/15/17[1]	4,000	3,998
1.23%, 8/9/17[1]	30,000	29,935
Crown Point Capital Co. LLC,		
1.24%, 7/6/17	15,000	14,984
Lexington Parker Capital Co. LLC,		
1.20%, 8/25/17[1]	15,000	14,958
Victory Receivables Corp.,		
1.01%, 6/6/17	10,000	9,998
1.02%, 6/16/17[1]	15,000	14,992
		179,870
Total ABS Commercial Paper		
(Cost $179,848)		**179,870**
CERTIFICATES OF DEPOSIT – 37.8%		
Banking – 37.8%		
Bank of America N.A.,		
1.17%, 6/9/17[2]	8,000	8,000
1.21%, 6/12/17[2]	9,000	8,969
Bank of Montreal, Chicago Branch,		
1.20%, 6/20/17[2]	10,000	10,004
1.15%, 7/10/17	25,000	25,001
1.53%, 1/22/18	15,000	15,012
Bank of Nova Scotia, Houston Branch,		
1.43%, 6/5/17[2]	20,000	20,000
1.09%, 6/12/17[2]	15,000	14,998
Bank of Nova Scotia, New York Branch,		
1.51%, 2/2/18	20,000	20,023
BNP Paribas S.A., New York Branch,		
1.10%, 6/5/17	10,000	10,000

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
CERTIFICATES OF DEPOSIT - 37.8% continued		
Banking – 37.8% continued		
1.24%, 9/18/17	$15,000	$15,002
Canadian Imperial Bank of Commerce,		
1.25%, 6/26/17[2]	8,500	8,502
1.36%, 8/22/17[2]	8,000	8,009
Citibank N.A.,		
1.16%, 7/7/17	12,000	12,002
1.30%, 11/9/17	10,000	10,000
Citibank N.A., New York Branch,		
1.30%, 7/20/17	15,000	15,005
1.29%, 8/16/17	5,000	5,002
Commonwealth Bank of Australia, New York Branch,		
1.34%, 6/3/17[2]	15,000	15,028
Cooperatieve Rabobank U.A., New York Branch,		
1.32%, 6/7/17[2]	20,000	20,000
1.21%, 7/17/17	15,000	15,005
Credit Agricole Corporate and Investment Bank, New York,		
1.24%, 9/22/17	15,000	15,002
Credit Suisse A.G., New York Branch,		
1.92%, 6/12/17[2]	14,600	14,637
1.27%, 6/22/17[2]	15,000	15,002
DNB Bank ASA,		
1.35%, 6/19/17[2]	15,000	15,006
KBC Bank N.V.,		
1.25%, 8/7/17	8,000	8,007
KBC Bank N.V., Brussels Branch,		
1.20%, 7/12/17	25,000	25,016
Mitsubishi UFJ Trust & Banking Corp.,		
1.15%, 6/19/17	15,000	15,002
1.16%, 7/24/17	10,000	10,002
Oversea-Chinese Banking Corp. Ltd.,		
1.23%, 6/1/17[2]	20,000	20,000
1.25%, 7/24/17	14,750	14,755
Royal Bank of Canada, New York Branch,		
1.19%, 6/20/17[2]	10,000	10,004
1.48%, 7/19/17[2]	15,000	15,033
Shizuoka Bank Ltd., New York Branch,		
1.24%, 6/12/17	5,000	5,000
1.24%, 7/10/17	3,000	3,000
1.25%, 8/4/17	25,000	25,007

See Notes to the Financial Statements.

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
CERTIFICATES OF DEPOSIT - 37.8% continued		
Banking – 37.8% continued		
Skandinaviska Enskilda Banken AB,		
1.26%, 6/5/17(2)	$16,000	$16,014
Svenska Handelsbanken AB, New York Branch,		
1.39%, 6/7/17(2)	16,000	16,012
1.17%, 6/23/17(2)	8,000	8,000
1.12%, 6/27/17(2)	10,000	10,000
Toronto Dominion Bank, London Branch,		
1.30%, 11/10/17	5,000	5,002
1.53%, 2/21/18	15,000	15,024
Toronto Dominion Bank, New York Branch,		
1.34%, 6/5/17(2)	9,000	9,011
UBS A.G.,		
1.48%, 11/22/17(2)	8,500	8,508
UBS A.G., Stamford Branch,		
1.45%, 6/23/17	20,000	20,000
Wells Fargo Bank N.A.,		
1.13%, 6/12/17(2)	20,000	20,007
1.27%, 6/21/17(2)	15,000	15,015
1.51%, 2/2/18	20,000	20,024
Westpac Banking Corp., New York Branch,		
1.51%, 6/12/17(2)	15,000	15,034
		643,686
Total Certificates Of Deposit		
(Cost $643,378)		**643,686**
COMMERCIAL PAPER – 10.8%		
Banking – 5.1%		
Commonwealth Bank of Australia,		
1.52%, 1/11/18(1)	15,000	14,884
DBS Bank Ltd.,		
1.12%, 7/7/17(1)	10,000	9,991
1.06%, 7/13/17(1)	9,000	8,990
National Australia Bank Ltd.,		
1.50%, 6/5/17(1) (2)	15,000	15,032
Oversea-Chinese Banking Corp. Ltd.,		
1.16%, 6/1/17(1) (2)	16,000	16,003
United Overseas Bank Ltd., New York Branch,		
1.20%, 6/22/17(1) (2)	15,000	15,006

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
COMMERCIAL PAPER - 10.8% continued		
Banking – 5.1% continued		
Westpac Banking Corp., New York Branch,		
1.22%, 6/15/17(1) (2)	$8,000	$8,005
		87,911
Diversified Manufacturing – 4.7%		
General Electric Co.,		
0.82%, 6/1/17	80,000	**79,998**
Foreign Local Government – 1.0%		
NRW.BANK,		
1.10%, 7/7/17(1)	17,000	**16,981**
Total Commercial Paper		
(Cost $184,816)		**184,890**
CORPORATE NOTES/BONDS – 0.5%		
Automotive – 0.5%		
American Honda Finance Corp.,		
1.21%, 6/8/17(2)	8,000	**7,999**
Total Corporate Notes/Bonds		
(Cost $8,000)		**7,999**
EURODOLLAR TIME DEPOSITS – 20.7%		
Banking – 20.7%		
Australia and New Zealand Banking Group,		
0.83%, 6/1/17	60,000	60,000
Branch Banking & Trust, Cayman Islands Branch,		
0.78%, 6/1/17	80,000	80,000
Credit Agricole S.A., London Branch,		
0.85%, 6/1/17	60,000	60,000
Credit Industriel et Commercial, Paris Branch,		
0.85%, 6/1/17	60,000	60,000
Nordea Bank AB, New York Branch,		
0.83%, 6/1/17	25,000	25,000
Skandinaviska Enskilda Banken AB,		
0.83%, 6/1/17	67,000	67,000
		352,000
Total Eurodollar Time Deposits		
(Cost $352,000)		**352,000**

See Notes to the Financial Statements.

PRIME OBLIGATIONS PORTFOLIO continued

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
MUNICIPAL INVESTMENTS – 8.4%		
Illinois – 1.7%		
Illinois State Toll Highway Authority Revenue Bonds, Series A-1B, (Bank of America N.A. LOC), 0.80%, 6/8/17[3]	$29,600	**$29,600**
Kentucky – 0.4%		
Kentucky State Housing Corp. Housing Taxable Revenue Bonds, Series O, 1.00%, 6/8/17[3]	5,930	**5,930**
Michigan – 4.7%		
Michigan State Finance Authority Revenue Bonds, Series B, School Loan Revolving Fund, (PNC Bank N.A. LOC), 0.93%, 6/8/17[3]	40,000	40,000
Michigan State Finance Authority Revenue Bonds, Series C, School Loan Revolving Fund, (Bank of Montreal LOC), 0.93%, 6/8/17[3]	40,200	40,200
		80,200
New York – 0.9%		
Triborough Bridge & Tunnel Authority Taxable Revenue Refunding Bonds, Subseries 2A, (Bank of America N.A. LOC), 0.95%, 6/8/17[3]	16,000	**16,000**
Municipal States Pooled Securities – 0.7%		
Nuveen Free Quality Municipal Income Fund Demand Preferred, Series 3 (AMT), 0.86%, 6/8/17[3]	11,100	**11,100**
Total Municipal Investments		
(Cost $142,830)		**142,830**
Investments, at Value		
(Cost $1,510,872)		**1,511,275**
REPURCHASE AGREEMENTS – 10.0%		
Repurchase Agreements – 10.0% [4]		
BMO Capital Markets Corp., dated 5/31/17 repurchase price $25,001 1.01%, 6/1/17	25,000	25,000

	PRINCIPAL AMOUNT (000S)	VALUE (000S)
REPURCHASE AGREEMENTS - 10.0% continued		
Repurchase Agreements – 10.0% [4] continued		
Citigroup Global Markets, Inc., dated 5/31/17, repurchase price $60,001 0.82%, 6/1/17	$60,000	$60,000
Credit Suisse Securities, dated 5/31/17 repurchase price $10,005 1.01%, 7/5/17	10,000	10,000
HSBC Securities (USA), Inc., dated 5/31/17 repurchase price $15,015 1.16%, 7/1/17	15,000	15,000
JPMorgan Securities LLC, dated 5/31/17, repurchase price $15,017 1.31%, 9/3/17	15,000	15,000
JPMorgan Securities LLC, dated 5/31/17, repurchase price $30,026 1.01%, 6/7/17	30,000	30,000
Societe Generale S.A., dated 5/31/17 repurchase price $15,010 1.16%, 8/4/17	15,000	15,000
		170,000
Total Repurchase Agreements		
(Cost $170,000)		**170,000**
Total Investments – 98.7%		
(Cost $1,680,872)[5]		**1,681,275**
Other Assets less Liabilities – 1.3%		22,554
NET ASSETS – 100.0%		**$1,703,829**

(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. The value of these securities is determined based on valuations supplied by a pricing service or brokers, or, if not available, in accordance with procedures established by the Board of Trustees of Northern Institutional Funds.*

(2) *Variable rate security. Rate as of May 31, 2017 is disclosed. Maturity date represents the next interest reset date. The security's legal final maturity date is longer than the reset date. Securities with longer maturity dates have a greater sensitivity to changes in liquidity, interest rate risk, and/or credit risk.*

(3) *Variable rate security. Rate as of May 31, 2017 is disclosed. Maturity date represents the date when principal payments may be due, taking into account any call options exercised and any permissible maturity shortening features.*

See Notes to the Financial Statements.

(4) *The nature and terms of the collateral received for the repurchase agreements are as follows:*

NAME	FAIR VALUE (000S)	COUPON RATES	MATURITY DATES
Commercial Paper	$42,006	0.00%	6/1/17 — 12/1/17
Corporate Bonds	$58,857	1.25% — 8.55%	9/7/17 — 6/26/37
U.S. Treasury Bonds	$15,450	0.00%	5/15/47
U.S. Treasury Notes	$61,200	2.00%	11/15/26
Total	$177,513		

(5) *At May 31, 2017, the components of investments for federal income tax purposes were as follows: (Amounts in thousands)*

Federal tax cost of investments	$ 1,680,872
Gross tax appreciation of investments	$ 442
Gross tax depreciation of investments	(39)
Net tax appreciation of investments	$ 403

Percentages shown are based on Net Assets.

At May 31, 2017 the maturity analysis for the Portfolio as a percentage of investment was:

MATURITY ANALYSIS	%
Overnight (One Business Day)	47.5%
2 - 15 Days	16.6
16 - 30 Days	11.0
31 - 60 Days	11.1
61 - 97 Days	5.5
98 - 180 Days	3.2
181 - 270 Days	5.1
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 - Unadjusted quoted market prices in active markets for identical securities on the measurement date.
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, maturities, ratings and/or securities indices).
Level 3 - Significant unobservable inputs (e.g., information about assumptions, including risk, market participants would use in pricing a security).

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. The following table summarizes the valuation of the Portfolio's investments by the above fair value hierarchy as of May 31, 2017:

INVESTMENTS	LEVEL 1 (000S)	LEVEL 2 (000S)	LEVEL 3 (000S)	TOTAL (000S)
ABS Commercial Paper(1)	$—	$ 179,870	$—	$ 179,870
Certificates of Deposit(1)	—	643,686	—	643,686
Commercial Paper(1)	—	184,890	—	184,890
Corporate Notes/Bonds(1)	—	7,999	—	7,999
Eurodollar Time Deposits(1)	—	352,000	—	352,000
Municipal Investments(1)	—	142,830	—	142,830
Repurchase Agreements(1)	—	170,000	—	170,000
Total Investments	$—	$1,681,275	$—	$1,681,275

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

The Portfolio discloses all transfers between levels based on valuations at the end of each reporting period. At May 31, 2017, there were no transfers between Level 1, Level 2 or Level 3 classifications based on levels assigned to the securities on November 30, 2016.

EXPLANATION OF ABBREVIATIONS AND ACRONYMS USED THROUGHOUT THE SCHEDULE OF INVESTMENTS:

ABS - Asset-Backed Securities

AMT - Alternative Minimum Tax

LOC - Letter of Credit

See Notes to the Financial Statements.

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 7 portfolios as of May 31, 2017, each with its own investment objective (e.g., income consistent with preservation of capital).

Northern Trust Investments, Inc. ("NTI"), a subsidiary of The Northern Trust Company ("Northern Trust"), serves as the investment adviser and administrator for the Prime Obligations Portfolio (the "Portfolio"). Northern Trust serves as the custodian, transfer agent and sub-administrator for the Trust. Northern Funds Distributors, LLC is the Trust's distributor.

The Portfolio is currently authorized to offer four classes of shares: Shares, Service Shares, Premier Shares and Williams Capital Shares. Each class is distinguished by the level of administrative and liaison services provided. At May 31, 2017, Shares class of the Portfolio were outstanding. Premier Shares and Williams Capital Shares are not currently offered to shareholders and there were no Service Shares outstanding at May 31, 2017.

The Portfolio operates as an ″institutional money market fund″ under Rule 2a-7 of the 1940 Act and transacts in its shares at a floating net asset value (″NAV″), rounded to the fourth decimal place (*e.g.*, $1.0000).

2. SIGNIFICANT ACCOUNTING POLICIES

The Trust, which is an investment company, follows accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946, *Financial Services-Investment Companies*.

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. 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.

A) VALUATION OF SECURITIES The Portfolio's investments are valued at their fair value. Fixed income securities are valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair value of such securities or broker provided prices. Such prices may be determined by taking into account other similar securities' prices, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. Short-term obligations, which are debt instruments with a maturity of 60 days or less, held by the Portfolio, are valued at their amortized cost, which, according to NTI, approximates fair value.

Northern Trust's Pricing Unit (the "NT Pricing Unit") is responsible for supplying a value for each portfolio security used in the NAV computations. Securities or other assets for which market quotations are not readily available or for which market quotations do not represent the value at the time of pricing are fair valued in accordance with policies and procedures established by, and subject to oversight of, the Trust's Board of Trustees (the ″Board″). NTI has established a pricing and valuation committee (the "Asset Management PVC") whose membership includes representatives of NTI. The Asset Management PVC is responsible for the fair valuation of portfolio securities and the monitoring of the fair valuation process, subject to the Board's oversight.

In making its determination of fair value of a security, the Asset Management PVC considers factors that it deems appropriate to the determination of the fair value of the security. Such factors include, but are not limited to: the type of security; the current financial position of the issuer; the cost of the investment; information as to any transaction or offers with respect to a security; market value of a similar freely-traded security; and news events. NTI will continue to monitor markets and the issuer's circumstances that affect a security's valuation to determine the continued appropriateness of a security's fair valuation. The Asset Management PVC will review if the markets and issuer's circumstances relevant to the valuation of a fair valued security change materially.

For each Level 3 security, if any, that has been fair valued pursuant to the policies adopted by the Board, the fair value price is compared against the last available and next available market quotations. The results of such back testing of fair valued securities are reported quarterly to the Valuation Committee of the Board.

The use of fair valuation involves the risk that the values used by the Portfolio to price its investments may be higher or lower than the values used by other unaffiliated investment companies and investors to price the same investments.

B) CREDIT ENHANCEMENTS Certain investments owned by the Portfolio are covered by insurance issued by private insurers, are backed by an escrow or trust containing U.S. Government securities or U.S. Government agency securities, or are otherwise supported by letters of credit, standby purchase agreements or other liquidity facilities. Such enhancements may ensure the timely payment of the security's principal and interest or may shorten the security's maturity. However, such enhancements do not guarantee the fair value of the securities or the value of a Portfolio's shares. Additionally, there is no guarantee that an insurer will meet its obligations. For example, the insurer's exposure to securities involving sub-prime mortgages may cause a municipal bond insurer's rating to be downgraded or may cause the bond insurer to become insolvent, which may affect the prices and liquidity of municipal obligations insured by the insurer.

C) REPURCHASE AGREEMENTS The Portfolio may enter into repurchase agreements under the terms of a master repurchase agreement by which it purchases securities for cash from a seller and agrees to resell those securities to the same seller at a specific price within a specified time or with an indefinite life and a liquidity feature which allows the Portfolio to resell the security quarterly. The interest rate on such repurchase agreements resets daily. During the term of a repurchase agreement, the fair value of the underlying collateral, including accrued interest, is required to equal or exceed the fair value of the repurchase agreement. The underlying collateral for tri-party repurchase agreements is held in accounts for Northern Trust (and is not reflected in the assets of the Portfolio) 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. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of collateral by the Portfolio may be delayed or limited. The Portfolio has entered into such repurchase agreements at May 31, 2017, as reflected in its accompanying Schedule of Investments.

The Portfolio may enter into transactions subject to enforceable netting arrangements ("netting arrangements") under a repurchase agreement. Generally, netting arrangements allow the Portfolio to offset any exposure to a specific counterparty with any collateral received from or delivered to that counterparty. In addition, netting arrangements provide the right for the non-defaulting party to liquidate the collateral and calculate the net exposure to the defaulting party or request additional collateral. Generally, the Portfolio manages its cash collateral and securities collateral on a counterparty basis. As of May 31, 2017, the Portfolio was not invested in any portfolio securities other than the repurchase agreements described below, with gross exposures on the Statement of Assets and Liabilities, that could be netted subject to netting arrangements.

The following table presents the repurchase agreements, which are subject to netting arrangements, as well as the collateral delivered related to those repurchase agreements.

Amounts in thousands			GROSS AMOUNTS NOT OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	
	COUNTERPARTY	GROSS AMOUNTS OF ASSETS PRESENTED IN STATEMENTS OF ASSETS AND LIABILITIES	FINANCIAL INSTRUMENTS	NET AMOUNT*
Prime Obligations	Bank of Montreal	$ 25,000	$ (25,000)	$-
	Citigroup	60,000	(60,000)	-
	Credit Suisse	10,000	(10,000)	-
	HSBC Securities	15,000	(15,000)	-
	JP Morgan	45,000	(45,000)	-
	Societe Generale	15,000	(15,000)	-
	Total	$170,000	$(170,000)	$-

* *Collateral received is reflected up to the fair value of the repurchase agreement. Refer to the Schedule of Investments.*

D) 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.

E) 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 that 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.

F) LIQUIDITY FEES AND REDEMPTION GATES The Portfolio may impose a liquidity fee of up to 2 percent on redemptions from the Portfolio or temporarily restrict redemptions from the Portfolio for up to 10 business days in any given 90-day period (a "redemption gate") in the event that the Portfolio's weekly liquid assets fall below the following thresholds:

30 percent weekly liquid assets – If the Portfolio's weekly liquid assets fall below 30 percent of the Portfolio's total assets as of the end of a business day, and the Board determines it is in the best interests of the Portfolio, the Board may impose a liquidity fee of no more than 2 percent of the amount redeemed and/or a redemption gate that temporarily suspends the right of

NOTES TO THE FINANCIAL STATEMENTS continued

redemption. Liquidity fees and/or redemption gates may be implemented as early as the same business day that the weekly liquid assets of the Portfolio fall below 30 percent of the total assets.

10 percent weekly liquid assets – If the Portfolio's weekly liquid assets fall below 10 percent of the Portfolio's total assets as of the end of a business day, the Portfolio will impose, at the beginning of the next business day, a liquidity fee of 1 percent of the amount redeemed, unless the Board determines that imposing such a fee would not be in the best interests of the Portfolio or determines that a lower or higher fee (not to exceed 2 percent) would be in the best interests of the Portfolio.

If the Portfolio imposes a redemption gate, the Portfolio and the Portfolio's authorized intermediaries will not accept redemption orders until the Portfolio has notified shareholders that the redemption gate has been lifted.

Liquidity fees and redemption gates may be terminated at any time at the discretion of the Board. In addition, liquidity fees and redemption gates will terminate at the beginning of the next business day once the Portfolio has invested 30 percent or more of its total assets in weekly liquid assets.

Liquidity fees would generally be used to assist the Portfolio to stem redemptions during times of market stress.

A liquidity fee imposed by the Portfolio will reduce the amount you will receive upon the redemption of your shares, and will generally decrease the amount of any capital gain or increase the amount of any capital loss you will recognize with respect to the redemption.

If the Portfolio's weekly liquid assets fall below 10 percent of the Portfolio's total assets, the Portfolio reserves the right to permanently suspend redemptions and liquidate if the Board of Trustees determines that it is not in the best interests of the Portfolio to continue operating.

Liquidity fees, if any, are included in "Payments for Shares Redeemed" in Note 6 -Capital Share Transactions. No liquidity fees or redemption gates were imposed by the Portfolio during the six months ended May 31, 2017.

G) DISTRIBUTIONS TO SHAREHOLDERS Distribution of dividends from net investment income are declared daily and paid monthly. Distributions of net realized capital gains, if any, are declared and paid at least annually. Distributions to shareholders are recorded on the ex-dividend date.

The timing and character of distributions determined in accordance with federal income tax regulations may differ from financial statement amounts determined in accordance with U.S. GAAP due to differences in the treatment and recognition of investment income and realized gains and losses. These differences are primarily related to the capital loss carryforwards. Inherent differences in the recognition of income and capital gains for federal income tax purposes, which are permanent, may result in periodic reclassifications in the Portfolio's capital accounts. These reclassifications may relate to net operating losses, non-deductable taxes paid and distribution reclassifications. These reclassifications have no impact on the net assets or the NAV per share of the Portfolio.

At November 30, 2016, the following reclassifications were recorded.

Amounts in thousands	UNDISTRIBUTED NET INVESTMENT INCOME (LOSS)	ACCUMULATED UNDISTRIBUTED NET REALIZED GAINS (LOSSES)
Prime Obligations	$284	$(284)

H) 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.

The Regulated Investment Company Modernization Act of 2010 (the "Act") allows capital losses to be carried forward for an unlimited period and to retain their character as either short-term or long-term. The Portfolio's ability to utilize capital loss carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

There were no unused capital loss carryforwards in the Portfolio as of November 30, 2016.

At November 30, 2016, the tax components of undistributed net investment income and realized gains, including amounts declared but not yet paid for federal income tax purposes, were as follows:

	UNDISTRIBUTED	
Amounts in thousands	ORDINARY INCOME (LOSS)*	LONG-TERM CAPITAL GAINS (LOSSES)
Prime Obligations	$786	$37

* *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, 2016 and 2015 was as follows:

	DISTRIBUTED FROM ORDINARY INCOME (LOSS)*	
Amounts in thousands	2016	2015
Prime Obligations	$13,195	$1,726

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

As of November 30, 2016, the Portfolio had no uncertain tax positions that would require financial statement recognition or disclosure. The Portfolio's federal tax returns remain subject to examination by the Internal Revenue Service for three years after they are filed. Any interest or penalties incurred, if any, on future unknown, uncertain tax positions taken by the Portfolio will be recorded as interest expense and other expenses, respectively, on the Statement of Operations.

3. BANK BORROWINGS

The Trust and the Northern Funds jointly entered into a $250,000,000 senior unsecured revolving credit facility on November 21, 2016, which is administered by Citibank, N.A., for liquidity and other purposes (the "Credit Facility"). The interest rate charged under the Credit Facility is equal to the sum of (i) the Federal Funds Rate plus (ii) if the one month London Interbank Offered Rate ("LIBOR") on the date of borrowing exceeded such Federal Funds Rate, the amount by which it so exceeded, plus (iii) 1.00 percent. In addition, there is an annual commitment fee of 0.15 percent on the unused portion of the credit line under the Credit Facility, payable quarterly in arrears, which is included in Other expenses on the Statement of Operations. The Credit Facility will expire on November 20, 2017, unless renewed.

The Portfolio did not have any borrowings or incur any interest expense for the six months ended May 31, 2017.

4. MANAGEMENT AND OTHER AGREEMENTS

As compensation for advisory and administration services and the assumption of related expenses, NTI is entitled to a management fee, computed daily and payable monthly, at the annual rate of 0.13 percent of the Portfolio's average daily net assets.

NTI has contractually agreed to reimburse a portion of the operating expenses of the Portfolio (other than certain excepted expenses, i.e., acquired fund fees and expenses, the compensation paid to each independent Trustee of the Trust, expenses of third-party consultants engaged by the Board, membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum, expenses in connection with the negotiation and renewal of the revolving credit facility, extraordinary expenses and interest) as shown on the accompanying Statement of Operations, to adhere to the expense limitation of 0.15 percent of the Portfolio's average daily net assets. The total annual fund operating expenses after expense reimbursement for the Portfolio may be higher than the contractual limitation as a result of certain excepted expenses that are not reimbursed.

The contractual expense reimbursement arrangement is expected to continue until at least April 1, 2018. The contractual expense reimbursement arrangement will continue automatically for periods of one-year (each such one-year period, a "Renewal Year"). The arrangement may be terminated, as to any succeeding Renewal Year, by NTI or the Portfolio upon 60 days' written notice prior to the end of the current Renewal Year. The Board may terminate the contractual arrangement at any time with respect to the Portfolio if it determines that it is in the best interest of the Portfolio and its shareholders.

The expenses reimbursed during the six months ended May 31, 2017, under the contractual expense reimbursement arrangement previously described are shown as "Less expenses contractually reimbursed by investment adviser" in the Statement of Operations. The contractual expense reimbursement receivable at May 31, 2017 is shown as "Receivable from affiliates for expense reimbursements" in the Statement of Assets and Liabilities. Any such reimbursement is paid monthly to the Portfolio by NTI.

NTI may reimburse additional expenses or waive all or a portion of the management fees of the Portfolio from time to time, including to avoid a negative yield. Any such additional expense reimbursement or waiver would be voluntary and could be implemented, increased or decreased or discontinued at any time. There is no guarantee the Portfolio will be able to avoid a negative yield. Any such reimbursement is paid monthly to the Portfolio by NTI. During the six months ended May 31, 2017, NTI did not voluntarily reimburse any additional expenses of the Portfolio.

NTI has entered into 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 management fees.

As compensation for services rendered as transfer agent, including the assumption by Northern Trust of the expenses related thereto, Northern Trust receives a fee, accrued daily and payable monthly, at an annual rate of 0.015 percent of the average daily net assets of the Portfolio.

As compensation for custody services, Northern Trust receives an amount based on a pre-determined schedule of charges approved by the Board. The Portfolio has entered into an expense offset 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 shown as "Less custodian credits" in the 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 provided a deferred compensation plan for its Trustees who are not officers of Northern Trust or NTI. Prior to August 22, 2013, under the deferred compensation plan, Trustees may have elected to defer all or a portion of their compensation. Effective August 22, 2013, the Trustees may no longer defer their compensation. Any amounts deferred and invested under the plan shall remain invested pursuant to the terms of the plan. Each Trustee's account shall be deemed to be invested in shares of the Government Assets Portfolio of the Trust and/or the Global Tactical Asset Allocation Fund of Northern 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. RELATED PARTY TRANSACTIONS

The Portfolio is permitted to purchase and sell securities from or to certain affiliated funds or portfolios under specified conditions outlined in Rule 17a-7 Procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under these procedures, each transaction is effected at the current market price as defined in the Rule 17a-7 Procedures. For the six months ended May 31, 2017, the Portfolio engaged in purchases and/or sales of securities from an affiliated entity:

Amounts in thousands	PURCHASES	SALES*
Prime Obligations	$92,000	$162,945

* *During the six months ended May 31, 2017, the realized gain (loss) associated with these transactions is zero.*

6. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for the six months ended May 31, 2017, were as follows:

*Amounts in thousands**	PROCEEDS FROM SHARES SOLD	REINVESTMENT OF DIVIDENDS	PAYMENTS FOR SHARES REDEEMED	NET INCREASE (DECREASE) IN NET ASSETS
Shares	$5,129,911	$271	$(5,137,435)	$(7,253)
Service Shares	2,278	–	(2,405)	(127)

* *The share amounts of transactions from shares sold, reinvested and redeemed were approximately 5,129,094,000, 271,000 and (5,136,594,000) for Shares and 2,278,000, 0 and (2,405,000) for Service Shares, respectively.*

Transactions in capital shares for the fiscal year ended November 30, 2016, were as follows:

*Amounts in thousands**	PROCEEDS FROM SHARES SOLD	REINVESTMENT OF DIVIDENDS	PAYMENTS FOR SHARES REDEEMED	NET INCREASE (DECREASE) IN NET ASSETS
Shares	$17,015,978	$1,024	$(18,916,372)	$(1,899,370)
Service Shares	187,961	8	(225,300)	(37,331)
GFS Shares	3,530,162	–	(3,891,869)	(361,707)

* *The share amounts of transactions from shares sold, reinvested and redeemed were approximately 17,015,758,000, 1,020,000 and (18,916,182,000) for Shares and 187,960,000, 8,000 and (225,297,000) for Service Shares, respectively. The number of shares sold, reinvested and redeemed approximates the dollar amount of transactions for GFS Shares.*

7. INDEMNIFICATIONS AND WARRANTIES

In the ordinary course of its business, the Portfolio may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Portfolio. The maximum exposure to the Portfolio under these provisions is unknown, as this would involve future claims that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts and believes the risk of loss to be remote.

8. NEW AND AMENDED FINANCIAL REPORTING RULES AND FORMS

On October 13, 2016, the Securities and Exchange Commission ("SEC") adopted new rules and forms, and amended existing rules and forms. The new and amended rules and forms are intended to modernize the reporting of information provided by portfolios and to improve the quality and type of information that portfolios provide to the SEC and investors. In part, the new and amended rules and forms amend Regulation S-X and require standardized, enhanced disclosure about derivatives in a Portfolio's financial statements, as well as other amendments. The compliance date for the amendments of Regulation S-X is August 1, 2017 while the compliance date for the new form types and other rule amendments is on or after June 1, 2018. Management is evaluating the new and amended rules and forms to determine the impact to the Portfolio.

9. NEW ACCOUNTING PRONOUNCEMENTS

In December 2016, FASB released Accounting Standards Update ("ASU") 2016-19 that makes technical changes to various sections of the ASC, including Topic 820, Fair Value Measurement. The changes to Topic 820 are intended to clarify the difference between a valuation approach and a valuation technique. The changes to ASC 820-10-50-2 require a reporting entity to disclose, for Level 2 and Level 3 fair value measurements, a change in either or both a valuation approach and a valuation technique and the reason(s) for the change. The changes to Topic 820 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. At this time, management is evaluating the implications of the ASU and has not yet determined its impact on the financial statements and disclosures.

10. SUBSEQUENT EVENTS

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

11. CHANGE OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (UNAUDITED)

Ernst & Young LLP ("EY") resigned as the independent registered public accounting firm to the Trust effective upon completion of the services related to the audit for the Trust's fiscal year ended November 30, 2016. EY's reports on the Trust's financial statements for the fiscal years ended November 30, 2016 and November 30, 2015 contained no adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the Trust's fiscal years ended November 30, 2016 and November 30, 2015, (i) there were no disagreements with EY on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of EY, would have caused it to make reference to the subject matter of the disagreements in connection with its reports on the Trust's financial statements for such fiscal years, and (ii) there were no "reportable events" of the kind described in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

On November 17, 2016, the Trust by action of the Board upon the recommendation of the Trust's Audit Committee engaged Deloitte & Touche LLP as the independent registered public accounting firm to audit the Trust's financial statements for the fiscal year ending November 30, 2017. During the Trust's fiscal years ended November 30, 2016 and November 30, 2015, neither the Trust, its Portfolio nor anyone on their behalf has consulted with Deloitte & Touche LLP on items which (i) concerned the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Trust's financial statements; or (ii) concerned the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K) or reportable events (as described in paragraph (a)(1)(v) of said Item 304).

FUND EXPENSES

MAY 31, 2017 (UNAUDITED)

As a shareholder of the Portfolio, you incur ongoing costs, including management fees 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, 2016 through May 31, 2017.

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 12/1/16 - 5/31/17" 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 12/1/2016	ENDING ACCOUNT VALUE 5/31/2017	*EXPENSES PAID 12/1/2016 - 5/31/2017
Actual	0.15%	$1,000.00	$1,004.20	$0.75
Hypothetical**	0.15%	$1,000.00	$1,024.18	$0.76

* *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, 2017. 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 expense ratios and an assumed rate of return of 5 percent per year before expenses.*

APPROVAL OF MANAGEMENT AGREEMENT

MAY 31, 2017 (UNAUDITED)

The Board of Trustees (the "Board" or the "Trustees") of Northern Institutional Funds (the "Trust") oversees the management, and reviews 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 management agreement (the "Management Agreement") for the Portfolio with Northern Trust Investments, Inc. ("Northern").

The Management Agreement was re-approved with respect to the Portfolio by the Board of Trustees, including all of the Trustees who are not parties to the Management Agreement or "interested persons" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of any party thereto (the "Independent Trustees") voting separately, at the in-person annual contract renewal meeting held on May 17, 2017 (the "Annual Contract Meeting").

In advance of the Annual Contract Meeting, the Trustees received and considered a variety of information relating to the Management Agreement and Northern. This information included written materials and verbal presentations relating to the Management Agreement in preparation for their consideration of the Management Agreement, as well as reports from the Board's Governance Committee, which reviewed certain information pertinent to the Management Agreement at its meetings. At the Annual Contract Meeting, the Trustees considered these reports and presentations and discussed the information that had been provided. Throughout the process, the Trustees also asked questions of and requested additional information from management. In connection with their deliberations, the Independent Trustees met separately with and were advised by their independent legal counsel and received a memorandum from their independent legal counsel regarding their responsibilities under applicable law. They also met in executive sessions at the Annual Contract Meeting with their independent legal counsel without employees of Northern present.

In evaluating the Management Agreement at the Annual Contract Meeting, the Trustees took into account their knowledge, resulting from their meetings and other interactions throughout the year and past years, of Northern, its services and the Portfolio. The Trustees noted that the evaluation process with respect to Northern is an ongoing one. In this regard, the Trustees took into account materials and information relating to Northern's investment management services received both in meetings specifically dedicated to the review of the Management Agreement and in other meetings held during the year. These materials included: (i) information on the investment performance of the Portfolio in comparison to other mutual funds and benchmark indices; (ii) compliance reports; (iii) information about Northern's and its affiliates' risk management processes, stress testing programs and cyber-security program; (iv) fees charged to and expenses borne by the Portfolio; (v) Northern's profitability and costs and compensation paid to affiliates of Northern; (vi) the qualifications of Northern and its affiliates to provide services to the Portfolio; and (vii) policies adopted by Northern regarding brokerage, including soft dollars, trade allocations and other matters. The Trustees also considered the nature, quality and extent of non-advisory services provided to the Portfolio by Northern's affiliates.

The Trustees reviewed, among other things, information specifically relating to: (i) the terms of the Management Agreement; (ii) the Portfolio's investment performance over different time periods in comparison to the investment performance of mutual fund peer groups and categories selected by Broadridge, a third-party provider of mutual fund data; (iii) the contractual and net management fees and total expenses (after expense reimbursements) of the Portfolio in comparison to those borne by mutual fund peer groups and categories selected by Broadridge; (iv) the management fee charged to the Portfolio compared to the management fees charged by Northern to Northern's other comparable institutional accounts; (v) Northern's staffing for the Portfolio and the experience of the portfolio managers, credit research and other personnel; (vi) Northern's financial resources and its ability to attract and retain portfolio management talent; (vii) Northern's investments in technology to benefit the Portfolio; (viii) the fees paid by the Portfolio to Northern and its affiliates for services, and the expenses incurred by them in connection with the provision of those services; and (ix) the benefits received by Northern and its affiliates from their relationships with the Portfolio. The Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the industry). In evaluating the Management Agreement for the Portfolio, the Trustees gave weight to various factors including those discussed herein, but did not identify any single factor as controlling their decision, and each Trustee may have attributed different weight to different factors.

Nature, Quality and Extent of Services

The Trustees considered, as part of their review, the nature, quality and extent of the services provided by Northern. In this regard, they considered both the investment advisory services, and the administrative and other non-advisory services that are provided to the Portfolio by Northern and its affiliates. These services include acting as the Portfolio's administrator and sub-administrator, custodian and transfer agent and providing other services necessary for the operation of the Portfolio and the Trust. The Trustees understood that the Management Agreement encompassed both the advisory and administrative functions being rendered by Northern. They considered the quality of Northern's communications with and services to shareholders, as well as the expenditures made by Northern and its affiliates to improve the quality and scope of their services to the Portfolio. They noted Northern's enhancements to technology in recent years including enhancements to cybersecurity controls, business continuity and disaster recovery. The Trustees considered the strength of Northern's and its affiliates' risk management processes, including with respect to the Portfolio's regular reporting on stress testing. The Trustees also reviewed the compliance and administrative services provided to the Portfolio by Northern, including its oversight of the Portfolio's day-to-day operations and fund accounting. The Trustees also noted that on a regular basis they receive and review information from Northern regarding the Portfolio's compliance policies and procedures pursuant to Rule 38a-1 under the 1940 Act. They also considered the quality of Northern's compliance oversight program with respect to all of the Portfolio's service providers and the continued active involvement of Northern's internal audit group in reviewing operations related to the Portfolio. The Trustees also took into account that the scope of services provided by Northern, and of the undertakings required of Northern in connection with those services, including maintaining and monitoring their own and the Portfolio's compliance programs, had expanded over time as a result of regulatory, market and other developments. In this regard, the Trustees also noted Northern's initiatives undertaken in the past few years with respect to the Portfolio and its shareholders to address the amendments to Rule 2a-7 of the 1940 Act, including among other things, the conversion of the Portfolio to variable net asset value pricing. They also considered Northern's preparations with respect to the increased reporting requirements required by new regulations.

The Trustees also considered the qualifications, background and responsibilities of Northern's senior and other investment personnel. They also noted Northern's recruitment and retention plans for attracting high quality investment professionals, as well as its portfolio management compensation structure, and the consistency of investment approach with respect to the Portfolio. The Trustees also took into consideration Northern's and its affiliates' strong financial position, stability and willingness to support the Portfolio through expense reimbursements. The Trustees concluded that Northern was able to commit, and had committed, substantial financial and other resources to the operations of the Portfolio and was able to continue to provide quality services to the Portfolio.

Performance

The Trustees considered the investment performance of the Portfolio. They first considered whether the Portfolio had operated within its investment objectives, as well as its compliance with its investment restrictions. The Trustees also took into account the continuing low interest rate environment in which the Portfolio was operating and any contributions by Northern to the Portfolio to prevent negative yield in prior years. The Trustees received information on the Portfolio's investment performance for one, two, three, four, five and ten years, as well as performance for the most recent quarter and year-to-date. The Trustees compared the investment performance of the Portfolio to the performance of other Securities and Exchange Commission ("SEC") registered funds and to rankings issued by Broadridge. The Trustees were provided with a description of the methodology Broadridge used to determine the similarity of the Portfolio with the funds included in its peer group and peer universe. Among other performance data considered, the Trustees noted that the performance of the Portfolio for the one-, three- and five-year periods ended January 31, 2017 was above its Broadridge performance universe average. The Trustees also considered the Portfolio's three-year performance versus net expenses as compared to its Broadridge peer group.

The Trustees took into account management's discussion of the Portfolio's performance and considered the Portfolio's investment performance relative to the investor base the Portfolio is intended to serve. The Trustees noted the potential impact of the risk parameters of the Portfolio. Specifically, they took into consideration that Northern's more risk averse investment strategies may cause the Portfolio to underperform against its peers during certain market environments. The Trustees also took into consideration the steps taken by Northern to manage the Portfolio to maintain a stable net asset value during the past market and economic environments, including in relation to the low interest rate environment. In addition, the Trustees reviewed the consistency of Northern's investment approach for the Portfolio and processes to address performance issues, if any.

The Trustees concluded, based on the information received, that the Portfolio's performance was satisfactory.

Fee Rates, Costs of Services and Profitability

The Trustees also evaluated the Portfolio's contractual management fee rate and management fee paid by the Portfolio after taking into account any expense reimbursements; the Portfolio's total operating expense ratio; Northern's contractual commitments to continue expense reimbursements for at least one year with respect to the Portfolio; and whether a consistent methodology was in place for determining the fees and expenses of the Portfolio. The Trustees also noted certain actions taken by Northern over the years to reduce Portfolio expenses, such as service provider fee reductions.

The Trustees reviewed information on the fee rate paid by the Portfolio under the Management Agreement and the Portfolio's total operating expense ratio compared to similar information for mutual funds advised by unaffiliated investment management firms, as prepared by Broadridge. In comparing the Portfolio's contractual and net management fees to those of comparable funds, the Trustees noted that such fees include both advisory and administrative costs. Among other data, the Trustees noted that the Portfolio's net management fee was at its Broadridge peer group median and below its Broadridge peer universe median. They also considered that the total expense ratio after reimbursement of expenses for the Portfolio was below its Broadridge category objective median and above its Broadridge peer group median. The Trustees took into account Northern's discussion of the Portfolio's expenses, including the explanation that Broadridge used fiscal year end data and that Broadridge peer funds experienced different interest rate levels during their fiscal years and thus different gross yields, which determined the actual expenses of those funds. The Trustees also noted that Northern had reimbursed expenses for the Portfolio. They also reviewed information comparing the Portfolio's fee rate to the fee rates charged by Northern to similarly managed, private institutional accounts. The Trustees considered the difference in, and level of complexity of, services provided by Northern with regard to the private institutional accounts, as well as regulatory, operational and compliance differences, board and committee support provided by Northern to the Portfolio's and other differences. The Trustees considered the fee comparisons in light of the differences in management of these different kinds of accounts. These comparisons assisted the Trustees in evaluating the reasonableness of the management fee paid by the Portfolio.

In addition, the Trustees considered the amount of assets in the Portfolio; the information provided by Northern relating to the costs of the services provided by it and its affiliates; and the profits realized by them through their relationship on a portfolio-by-portfolio basis and on an overall basis and both before and after distribution and certain non-distribution costs. The Trustees reviewed Northern's assumptions and methodology for allocating costs to the Portfolio, recognizing that cost allocation methodologies are inherently subjective and not audited. The Trustees also noted that Northern provides administrative services under the Management Agreement and that affiliates of Northern serve as sub-administrator, custodian and transfer agent. The Trustees considered that Northern pays the Portfolio's sub-administrative fees from the management fee. The Trustees also reviewed information provided by an independent consultant with respect to Northern's profitability compared to other publicly-traded advisers.

They considered that comparisons of advisory agreement profitability across fund families are difficult because of numerous factors, including the type of funds managed, business mix, cost allocation methodologies and other factors. The Trustees also considered Northern's expense reimbursements during the year. They also took into account the nature of the Portfolio and the high quality of the services provided by Northern, as well as cost savings initiatives implemented by Northern over the years. The Trustees understood that Northern should be entitled to earn a reasonable level of profit in exchange for the level of services it provides to the Portfolio. The Trustees concluded that the profitability of Northern was not unreasonable based on the services and benefits provided and the costs assumed by Northern and its affiliates.

Economies of Scale

The Trustees considered the extent to which economies of scale would be realized as the Portfolio grows and whether fee levels reflected these economies of scale for the benefit of shareholders. The Trustees noted that the management fee of the Portfolio did not have breakpoints. They took into account management's discussion of the Portfolio's management fee structure and considered Northern's view that the Portfolio is sharing in economies of scale through the level at which the Portfolio's management fee is set and through Northern's contractual expense reimbursements that limit the expenses for the Portfolio.

The Trustees determined that the Portfolio's current management fee structure was reasonable.

Other Benefits to Northern

The Trustees also reviewed other benefits accruing to Northern and its affiliates as a result of their relationship with the Portfolio. Those benefits included fees received by the affiliates for transfer agency, custodial and sub-administrative functions. The Trustees also considered that many of the Portfolio's shareholders had other client relationships with The Northern Trust Company or its affiliates. In addition, the Trustees considered that the scale of the Portfolio provided opportunities to Northern to obtain securities trading advantages for its other advisory clients and the benefits to Northern and its affiliates from their ability to leverage resources over a larger asset base. The Trustees also took into account that Northern benefitted from receipt of research products and services generated by equity portfolios managed by Northern.

After deliberation, the Trustees concluded with respect to the Portfolio that the management fee paid by the Portfolio was reasonable in light of the services provided by Northern, its costs and the Portfolio's asset levels, and other factors including those discussed above and that renewal of the Management Agreement would be in the best interests of the Portfolio and its shareholders. Accordingly, the Board, and the Independent Trustees, voting separately, approved the Management Agreement for an additional one-year term.

FOR MORE INFORMATION

PORTFOLIO HOLDINGS

Northern Institutional Funds files its complete schedule of portfolio holdings with the 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 website at www.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 Portfolio'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' website at northerntrust.com/institutional or the SEC's website at www.sec.gov or by calling the Northern Institutional Funds Center at 800-637-1380.

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