

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Fourth Quarter 2013

Quarterly Earnings Review

January 22, 2014



Northern Trust

northerntrust.com



Executive Summary

- Fourth quarter 2013 net income of \$169.7 million and earnings per common share of \$.70
 - ◆ Results included a \$19.2 million charge related to a legal settlement (\$11.9 million after tax, or \$.05 per share)
 - ◆ Excluding the charge, net income and earnings per common share would have been \$181.6 million and \$.75, respectively
- Full year 2013 net income of \$731.3 million and earnings per common share of \$2.99
- The operating environment was mixed:
 - ◆ Equity markets were very favorable
 - ◆ Currency volatility was lower sequentially but higher year-over-year
 - ◆ Short-term interest rates remained very low
- Reported return on equity of 8.7% for the fourth quarter and 9.5% for full year 2013





Summary Results & Key Metrics: Fourth Quarter 2013

\$ in millions (except EPS and as noted)

	4Q 2013	% Change Vs.	
		4Q 2012	3Q 2013
Revenue (FTE ^{1,2})	\$1,054.4	+8%	-
Noninterest Expense	794.5	+7%	+7%
Provision for Credit Losses	5.0	-	-
Net Income	\$169.7	+1%	-18%
Earnings per Share	\$0.70	+1%	-17%
Return on Equity ³	8.7%	8.8%	10.6%
Assets under Custody (<i>in billions</i>)	\$5,576	+16%	+6%
Global Custody Assets (<i>in billions</i>)	\$3,249	+21%	+8%
Assets under Management (<i>in billions</i>)	\$885	+17%	+5%

- Excluding \$19.2 million 4Q 2013 charge, \$32.6 million 3Q 2013 gain on the sale of an office building (\$20.3 million after-tax), and 4Q 2012 acquisition and restructuring charges of \$8.2 million (\$5.2 million after-tax):
 - ◆ Revenues increased 8% year-over-year and 3% sequentially
 - ◆ Expenses increased 6% year-over-year and 5% sequentially
 - ◆ Net Income increased 5% year-over-year and declined 2% sequentially.
- Assets under Custody and Management increased 16% and 17%, respectively, year-over-year and were up 6% and 5%, respectively, versus prior quarter

¹ Revenue stated on an FTE basis is a non-GAAP financial measure. A reconciliation to reported revenue prepared in accordance with U.S. generally accepted accounting principles (GAAP) is included in the Appendix on page 13.

² Fully taxable equivalent

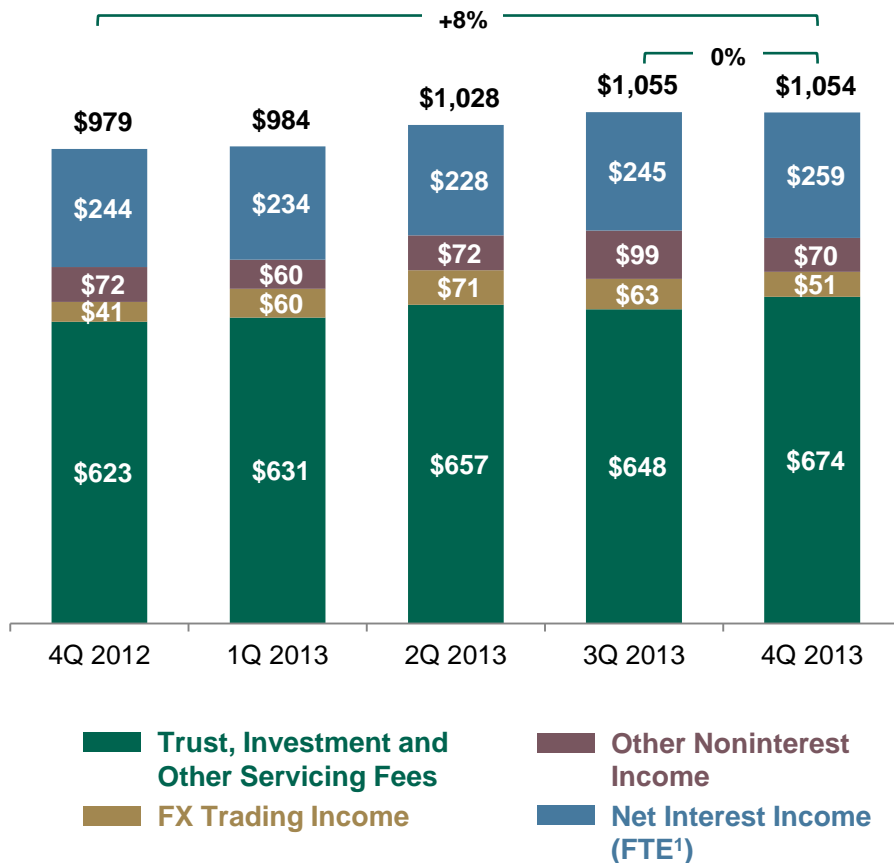
³ Actual numbers for all periods, not % change.



Total Revenue: Fourth Quarter 2013

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 8% year-over-year and 4% sequentially due to favorable equity markets and new business
- Foreign Exchange Trading Income increased 25% from the prior year due to higher volumes and volatility, but was down 19% versus the third quarter
- Net Interest Income (FTE¹) was up 6% from the prior year and versus the prior quarter due to higher earning assets

Categories may not sum due to rounding.

¹ Net interest income and total revenue stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 13.





Trust, Investment & Other Servicing Fees: Fourth Quarter 2013

\$ in millions (except as noted)

<u>Trust, Investment & Other Servicing Fees</u>	4Q 2013	% Change Vs.	
		<u>4Q 2012</u>	<u>3Q 2013</u>
Custody & Fund Administration	\$251.3	+12%	+5%
Investment Management	74.9	+1%	+5%
Securities Lending	21.8	+7%	-4%
Other	23.1	-8%	-12%
<i>Total Corporate & Institutional Services</i>	\$371.1	+8%	+3%
<i>Total Wealth Management</i>	\$302.7	+9%	+5%
<i>Client assets (in billions):</i>			
C&IS AUC	\$5,080	+17%	+7%
Global Custody Assets	\$3,249	+21%	+8%
C&IS AUM	\$663	+18%	+4%
Securities Lending Collateral	\$102	+16%	-2%
Wealth Management AUC	\$496	+11%	+5%
Wealth Management AUM	\$222	+12%	+5%

- Trust & investment fee growth was distributed across business units and driven by favorable equity markets and net new business
- Money market fee waivers were higher than last year but slightly lower than last quarter
 - ◆ C&IS fee waivers totaled \$15.3 million in the current quarter
 - ◆ Wealth Management fee waivers totaled \$16.2 million
- Higher equity markets and new business increased client assets

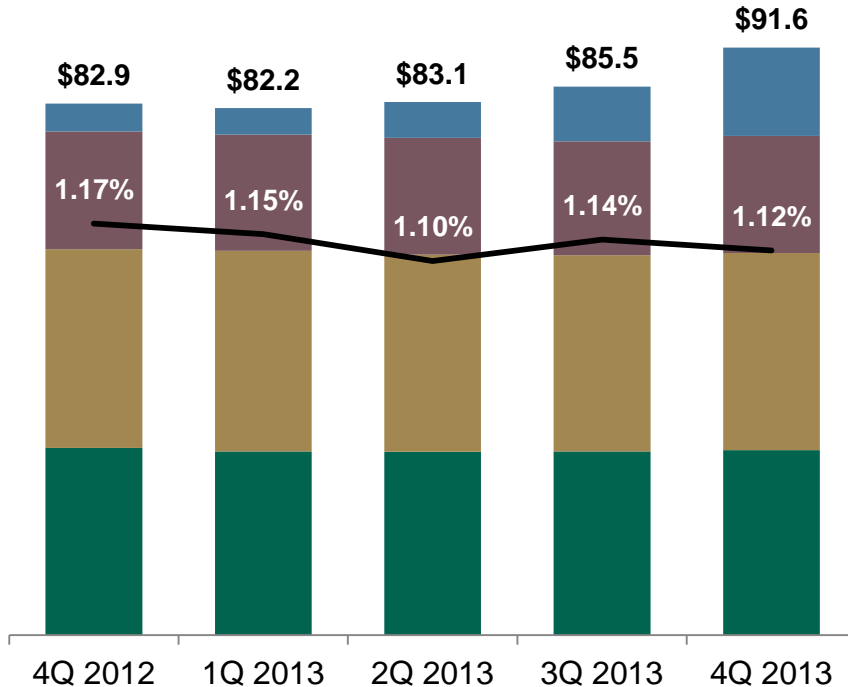




Net Interest Income: Fourth Quarter 2013

\$ in millions (except as noted)

Average Earning Assets (\$ in billions)



NII (FTE ¹)	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
	\$243.6	\$233.7	\$228.0	\$244.8	\$259.1

- Loans & Leases
- Securities
- Deposits w/ Banks
- Fed Deposits & Other

— NIM (FTE¹)

- Average Client Interest-Bearing Deposits were up 18% relative to 4Q 2012 and were 8% higher than 3Q 2013
 - ◆ This higher level of funding was primarily invested in Federal Reserve Deposits
- Net Interest Margin narrowed to 1.12% from 1.17% a year ago and 1.14% in the prior quarter due the mix shift in Earning Assets and lower yields on Loans and Leases
 - ◆ 3 month LIBOR and other short term interest rates remained low
 - ◆ Premium amortization in our mortgage-backed securities portfolio declined \$7 million from the prior quarter

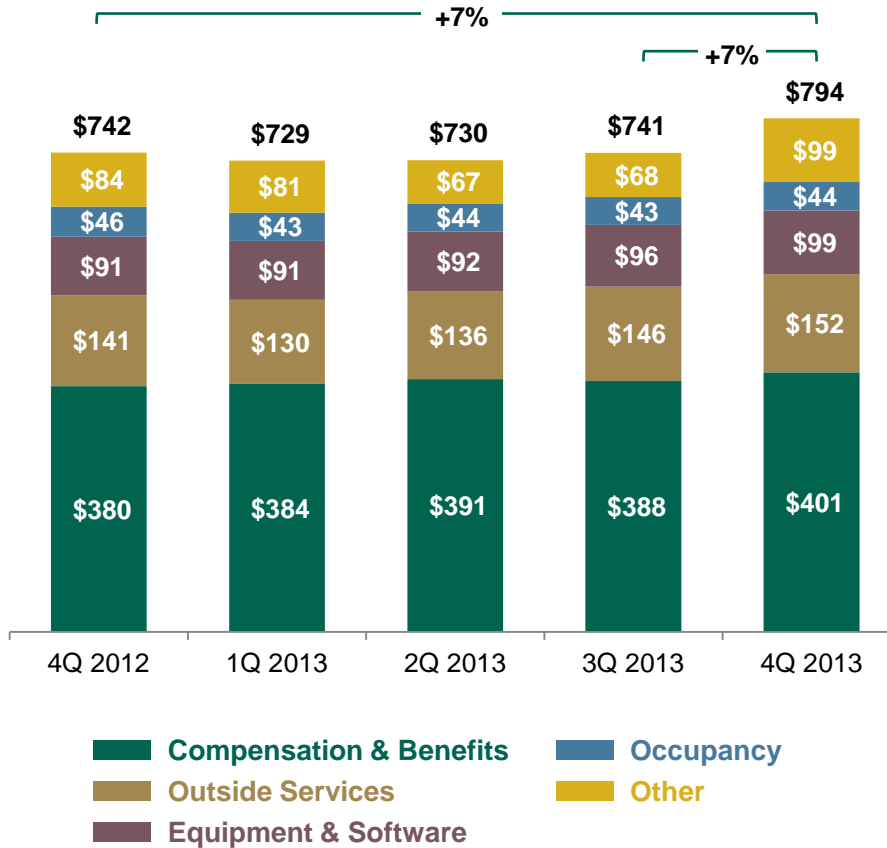
¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 13.



Noninterest Expense: Fourth Quarter 2013

\$ in millions

Total Noninterest Expense



- Compensation & Benefits increased 6% year-over-year and 3% versus the prior quarter, reflecting staff growth
- Outside Services expense was 8% higher than last year and 4% higher than the prior quarter
 - ◆ Higher consulting and technical services expense related to heightened regulatory and compliance costs
- Equipment & Software expense was 9% higher than the prior year and 3% higher than the prior quarter, reflecting continued investment in technology
- Occupancy costs were down 5% versus the prior year and up 1% versus the prior quarter
- Excluding the \$19.2 million litigation-related charge recorded in the current quarter, Other Operating Expense decreased 5% year-over-year and increased 17% sequentially
 - ◆ Business promotion and marketing expenses were seasonally higher in the fourth quarter

Categories may not sum due to rounding.



Results & Key Metrics: Full Year 2013

\$ in millions (except EPS and as noted)

	FY 2013	% Change Vs. <u>FY 2012</u>
Revenue (FTE ¹)	\$4,121.8	+5%
Noninterest Expense	2,993.8	+4%
Provision for Credit Losses	20.0	-20%
Net Income	\$731.3	+6%
Earnings per Share	\$2.99	+6%
Return on Equity ²	9.5%	9.3%
Assets under Custody (<i>in billions</i>)	\$5,576	+16%
Global Custody Assets (<i>in billions</i>)	\$3,249	+21%
Assets under Management (<i>in billions</i>)	\$885	+17%

¹ Revenue stated on an FTE basis is a non-GAAP financial measure. A reconciliation to reported revenue prepared in accordance with U.S. generally accepted accounting principles (GAAP) is included in the Appendix on page 13.

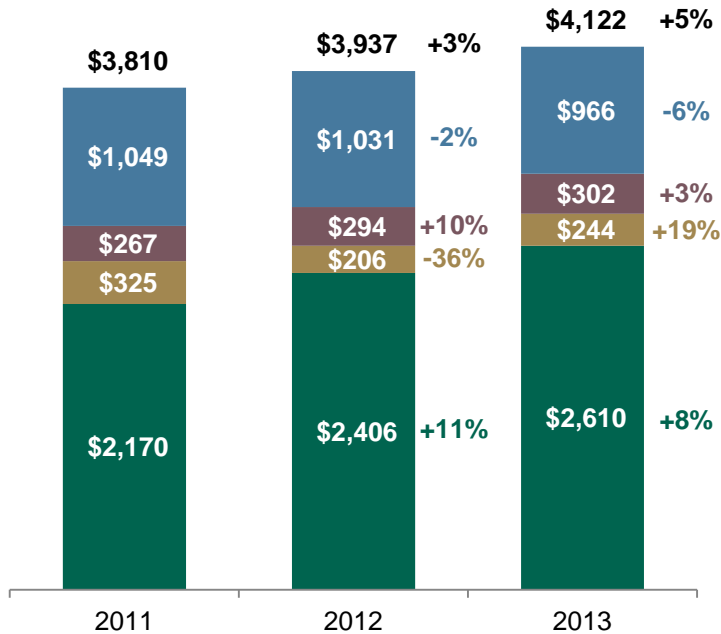
² Actual numbers for all periods, not % change.



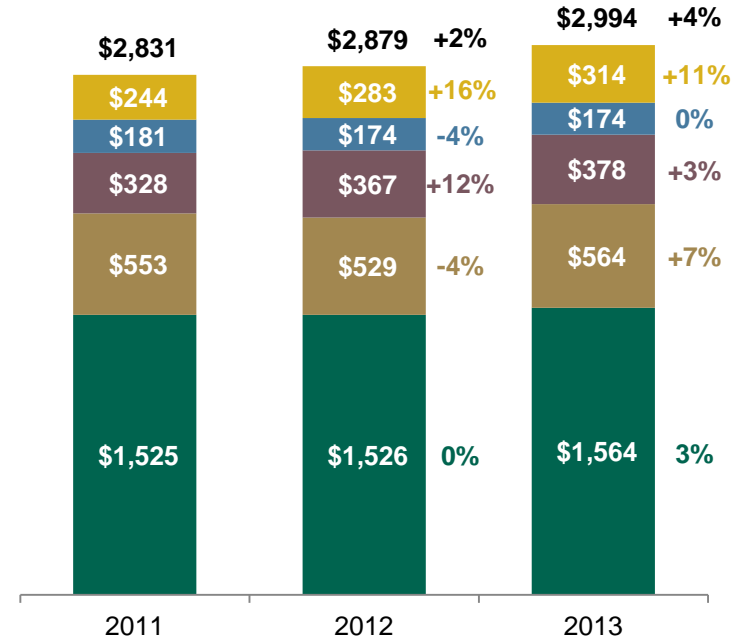
Revenue and Expense: Annual Trends

\$ in millions

Total Revenue (FTE¹)



Total Noninterest Expense



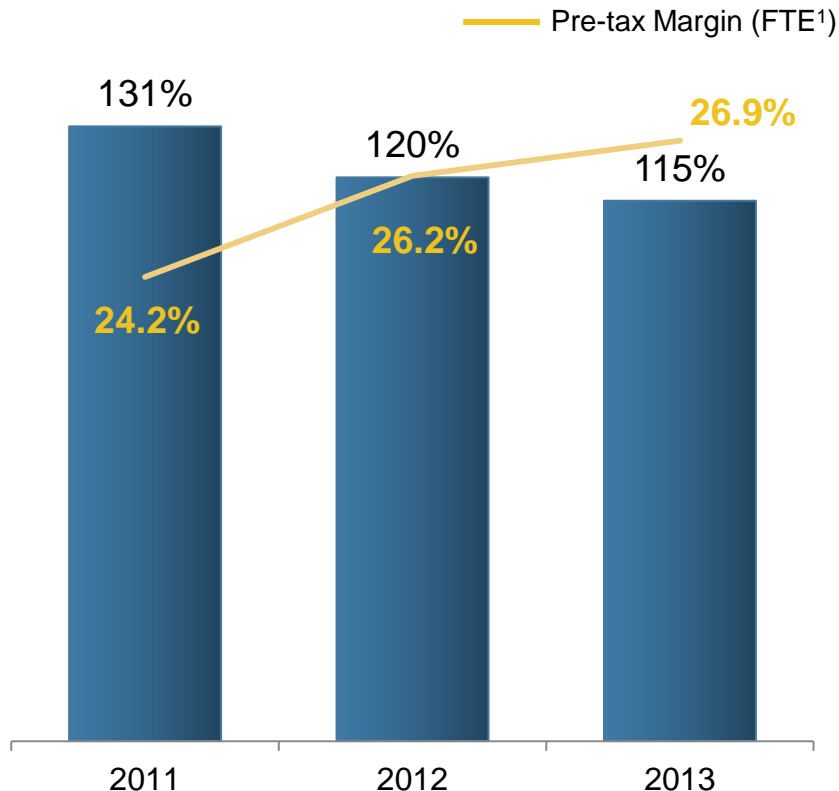
- Trust, Investment and Other Servicing Fees
- Other Noninterest Income
- FX Trading Income
- Net Interest Income (FTE¹)

- Compensation & Benefits
- Outside Services
- Equipment & Software
- Occupancy
- Other

¹ Net interest income and total revenue stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 13.



Noninterest Expense as a % of Trust & Investment Fees



- Driving Performance initiatives contributed approximately \$80 million to 4Q 2013 pre-tax income
- The full year benefit of approximately \$270 million surpassed our initial target of \$250 million
- Driving Performance has added ~1 percentage point to the revenue growth rate and reduced the expense growth rate by almost 3 percentage points
- Efforts have contributed to the continued improvement in the level of noninterest expenses as a percentage of trust & investment fees

¹ Pre-tax margin stated on an FTE basis is a non-GAAP financial measure. A reconciliation to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 13.





Balance Sheet: Capital Strength

Northern Trust Corporation Capital Ratios

Tier 1 Common Equity ¹	12.9%
Tier 1 Capital Ratio	13.4%
Total Risk-Based Ratio	15.8%
Leverage Ratio	7.9%

Capital Return

- Paid \$299 million in dividends and repurchased \$310 million of our common stock in 2013
- Remaining capacity to repurchase up to \$164 million of common stock through 1Q 2014 under our 2013 Capital Plan that was reviewed without objection by the Federal Reserve
- We submitted our 2014 Capital Plan on January 6, 2014

¹The ratio of tier 1 common equity to risk-weighted assets is a non-GAAP financial measure. A reconciliation of tier 1 common equity to tier 1 capital calculated in accordance with applicable regulatory requirements and GAAP is included in the Appendix on page 14.

As of December 31, 2013. Capital ratios are considered preliminary until the Form 10-K is filed with the Securities and Exchange Commission.



PRINCIPLES THAT ENDURE

Service

Expertise

Integrity

Appendix



Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of interest income and net interest income prepared in accordance with GAAP to interest income and net interest income on a fully taxable equivalent (FTE) basis, a non-GAAP financial measure.

Management believes this presentation provides a clearer indication of net interest income and margins for comparative purposes.

Three Months Ended									
(\$ In millions)	December 31, 2013			September 30, 2013			December 31, 2012		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Interest Income	\$ 302.4	\$ 9.2	\$ 311.6	\$ 291.1	\$ 7.8	\$ 298.9	\$ 302.1	\$9.4	\$ 311.5
Interest Expense	52.5	–	52.5	54.1	–	54.1	67.9	–	67.9
Net Interest Income	\$ 249.9	\$ 9.2	\$ 259.1	\$ 237.0	\$ 7.8	\$ 244.8	\$ 234.2	\$9.4	\$ 243.6
Net Interest Margin	1.08%		1.12%	1.10%		1.14%	1.12%		1.17%
Total Revenue	\$ 1,045.2	\$ 9.2	\$ 1,054.4	\$ 1,047.2	\$ 7.8	\$ 1,055.0	\$ 969.7	\$ 9.4	\$ 979.1

Twelve Months Ended						
(\$ In millions)	December 31, 2013			December 31, 2012		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Interest Income	\$ 1,155.5	\$ 32.5	\$ 1,188.0	\$ 1,287.7	\$40.8	\$ 1,328.5
Interest Expense	222.4	–	222.4	297.4	–	297.4
Net Interest Income	\$ 933.1	\$ 32.5	\$ 965.6	\$ 990.3	\$40.8	\$ 1,031.1
Net Interest Margin	1.09%		1.13%	1.18%		1.22%
Total Revenue	\$ 4,089.3	\$ 32.5	\$ 4,121.8	\$ 3,896.1	\$ 40.8	\$ 3,936.9
Pre-tax Margin	26.3%		26.9%	25.5%		26.2%



Reconciliation of Non-GAAP Financial Measures

The following table provides a reconciliation of tier 1 common equity to tier 1 capital calculated in accordance with applicable regulatory requirements and GAAP.

Northern Trust is providing the ratio of tier 1 common equity to risk-weighted assets in addition to its capital ratios prepared in accordance with regulatory requirements and GAAP as it is a measure that Northern Trust and investors use to assess capital adequacy.

(\$ In millions)	December 31 2013	
Ratios		
Tier 1 Capital	13.4	%
Tier 1 Common Equity	12.9	%
Tier 1 Capital	\$ 7,853.2	
Less: Floating Rate Capital Securities	268.8	
Tier 1 Common Equity	\$ 7,584.4	



Forward Looking Statement

This presentation may include forward-looking statements such as statements that relate to Northern Trust's financial goals, capital adequacy, dividend policy, expansion and business development plans, risk management policies, anticipated expense levels and projected profit improvements, business prospects and positioning with respect to market, demographic and pricing trends, strategic initiatives, re-engineering and outsourcing activities, new business results and outlook, changes in securities market prices, credit quality including allowance levels, planned capital expenditures and technology spending, anticipated tax benefits and expenses, and the effects of any extraordinary events and various other matters (including developments with respect to litigation, other contingent liabilities and obligations, and regulation involving Northern Trust and changes in accounting policies, standards and interpretations) on Northern Trust's business and results. These statements speak of Northern Trust's plans, goals, targets, strategies, beliefs, and expectations, and refer to estimates or use similar terms. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties.

Our 2012 annual report and periodic reports to the SEC contain information about specific factors that could cause actual results to differ, and you are urged to read them. Northern Trust disclaims any continuing accuracy of the information provided in this presentation after today.

