

PRINCIPLES THAT ENDURE



# Northern Trust Corporation

## 2014 Annual Meeting of Stockholders

**Frederick H. Waddell**

Chairman & Chief Executive Officer





# Forward Looking Statement

This presentation may include forward-looking statements concerning Northern Trust's financial results and outlook, capital adequacy, dividend policy, anticipated expense levels and technology spending, risk management policies, contingent liabilities, strategic initiatives, industry trends, and expectations regarding the impact of recent legislation. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "project", "likely", "may increase", "plan", "goal", "target", "strategy", and similar expressions or future or conditional verbs such as "may", "will", "should", "would", and "could". Forward-looking statements are Northern Trust's current estimates or expectations of future events or future results, and involve risks and uncertainties that are difficult to predict. These statements are based on assumptions about many important factors, including the factors discussed in Northern Trust's most recent annual report on Form 10-K and other filings with the U.S. Securities and Exchange Commission, all of which are available on Northern Trust's website.

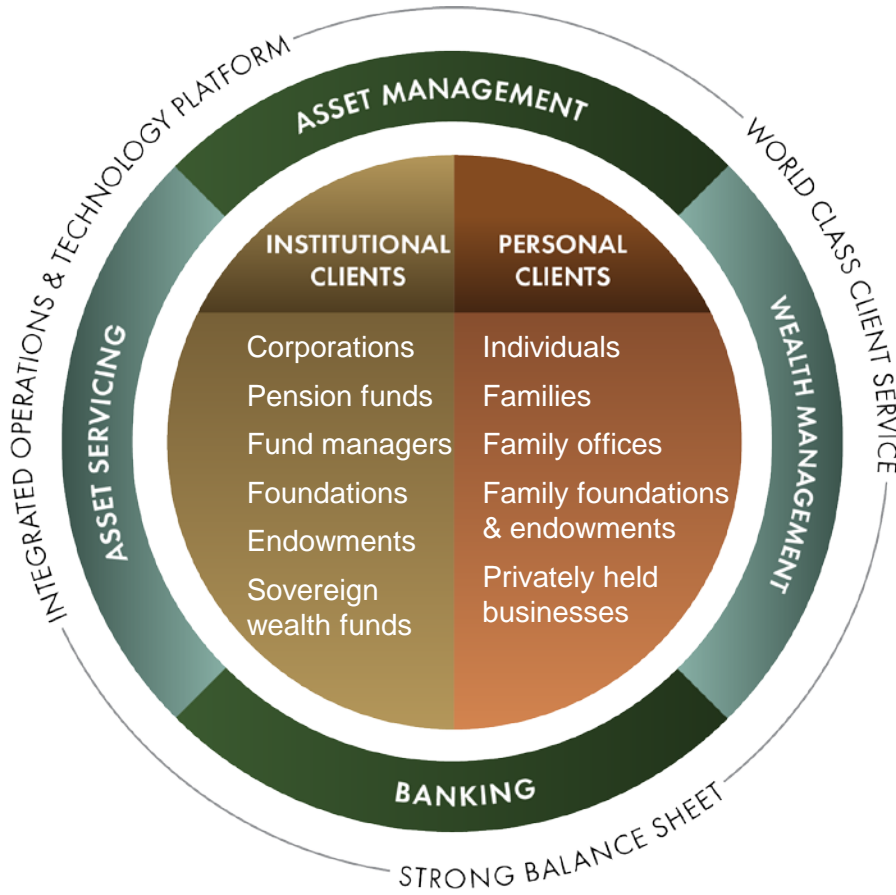
We caution you not to place undue reliance on any forward-looking statement as actual results may differ materially from those expressed or implied by forward-looking statements. Northern Trust assumes no obligation to update its forward-looking statements.





# A Highly Focused Business Model

Founded in 1889, Northern Trust is a global leader in asset servicing, asset management, wealth management and banking for personal and institutional clients.



## Wealth Management

### Leading advisor to affluent market

- AUM \$217 Billion
- AUC \$504 Billion

## Corporate & Institutional Services

### Leading global custodian

- AUC \$5.2 Trillion
- AUM \$698 Billion

## Asset Management

### Leading asset manager for personal and institutional clients

- AUM \$915 Billion

## Operations & Technology

### Integrated global operating platform

- Serving personal and institutional clients
- \$1.9 Billion in technology spending 2011-2013



# Wealth Management

## Life-driven Approach to Serving the Affluent Market

*Providing comprehensive wealth management solutions to successful individuals, families and privately held businesses.*

### Private & Business Banking

- Deposit services
- Custom financing
- Stock option lending

### Financial Planning

- Cash flow analysis
- Debt management
- Tax planning
- Retirement planning

### Investment Management

- Comprehensive investment capabilities
- Custom asset allocation
- Broad menu of outside managers
- Brokerage services

### Trust & Estate Services

- Wealth transfer planning
- Trust and estate services
- Philanthropic advisory services
- Securities custody

### Advisory Services

- Family education and governance
- Family business
- Non-financial asset management

### Foundation & Institutional Advisors

- Customized investment objectives and strategic asset allocation
- Manager selection and oversight
- Asset servicing and administration



**Ranked among the Top 10 Wealth Managers**  
(2013)



**FAMILY OFFICE REVIEW**  
*...the art and science of wealth*

**Best Trust Company**  
(2013)

**FINANCIAL TIMES**

**Best Private Bank in the U.S.**  
(2013)

**FORTUNE**

**One of World's Most Admired Companies**  
(2013)





# Corporate & Institutional Services

## Delivering a Broad Range of Solutions

*Providing an array of asset servicing and asset management services to institutional clients around the world.*

Asset Processing	Asset Administration	Asset Reporting	Asset Enhancement	Asset Management
<ul style="list-style-type: none"> <li>Safekeeping</li> <li>Settlement</li> <li>Derivatives and collateral processing</li> <li>Income collection</li> <li>Corporate actions</li> <li>Tax reclamation</li> </ul>	<ul style="list-style-type: none"> <li>Fund accounting</li> <li>Transfer agency</li> <li>Corporate secretarial/trustee</li> <li>Valuations</li> <li>Investment operations outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>White label reporting</li> <li>Valuation analytics</li> <li>Performance analytics</li> <li>Risk monitoring and reporting</li> <li>Trade execution analysis</li> </ul>	<ul style="list-style-type: none"> <li>Cross-border pooling</li> <li>Trade execution</li> <li>Cash management</li> <li>Securities lending</li> <li>Foreign exchange</li> </ul>	<ul style="list-style-type: none"> <li>Active</li> <li>Global index</li> <li>Investment outsourcing</li> <li>Liability driven investing</li> <li>Multi-manager</li> <li>Transition management</li> </ul>



**Best Custody & Alternative Fund Administration in Asia-Pacific**  
(2013)



**Best European ETF Administrator**  
(2013)



**Global Custody & Transition Management Award**  
(2013)

**Global Custody Award Winners**  
(2012)



**Custody and Securities Services Provider of the Year**  
(2012)



**Best Client Servicing Award**  
(2013)



**Hedge Fund Administrator of the Year**  
(2012 and 2013)



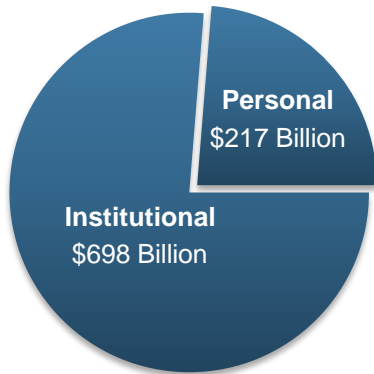


# Asset Management

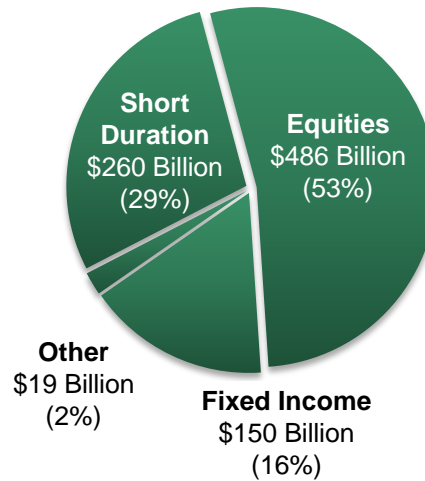
Client Focused, Diversified Investment Manager

*Providing diversified asset management solutions, with total assets under management of \$915 billion.*

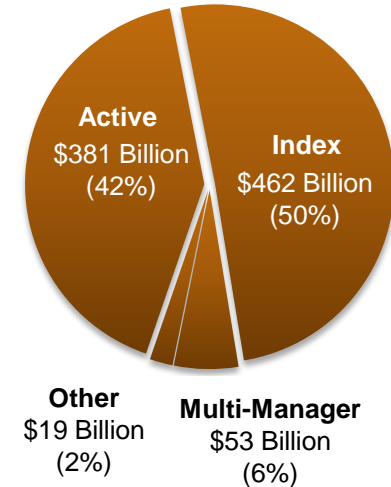
### Client Segments



### Asset Classes



### Styles



**U.S. Fixed Income Municipal  
Manager of the Year  
(2013)**

**Leadership in Equity Indexing  
(2011)**



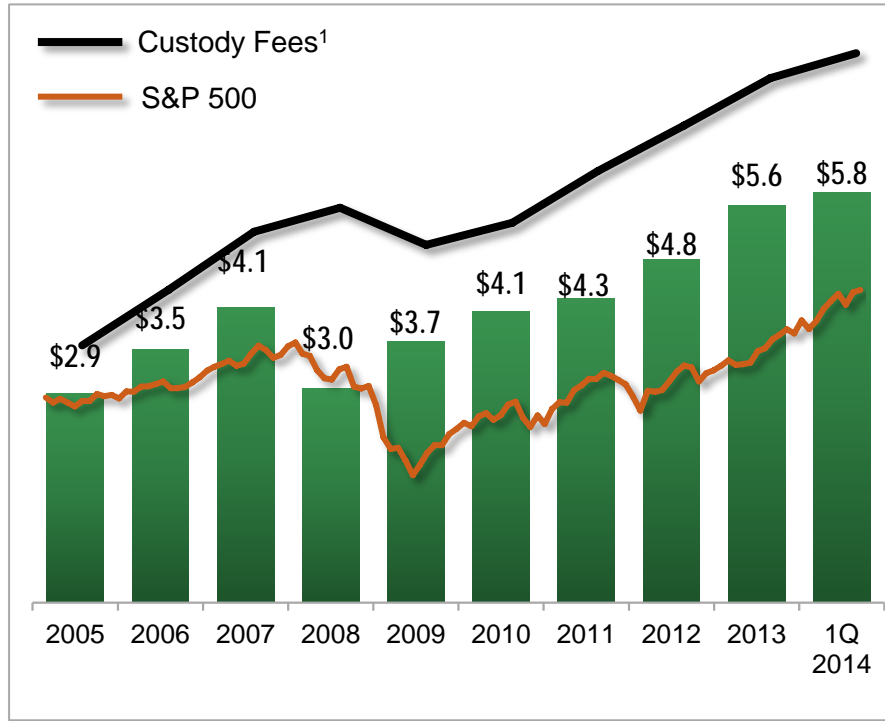
- 14<sup>th</sup> Largest Manager Worldwide**
- 14<sup>th</sup> Largest Manager of Worldwide Institutional Assets**
- 3<sup>rd</sup> Largest Passive International Equity Manager**
- 4<sup>th</sup> Largest Passive Domestic Equity Manager**
- 4<sup>th</sup> Largest Passive Domestic Fixed Income**  
(2013 based on December 31, 2012 assets)



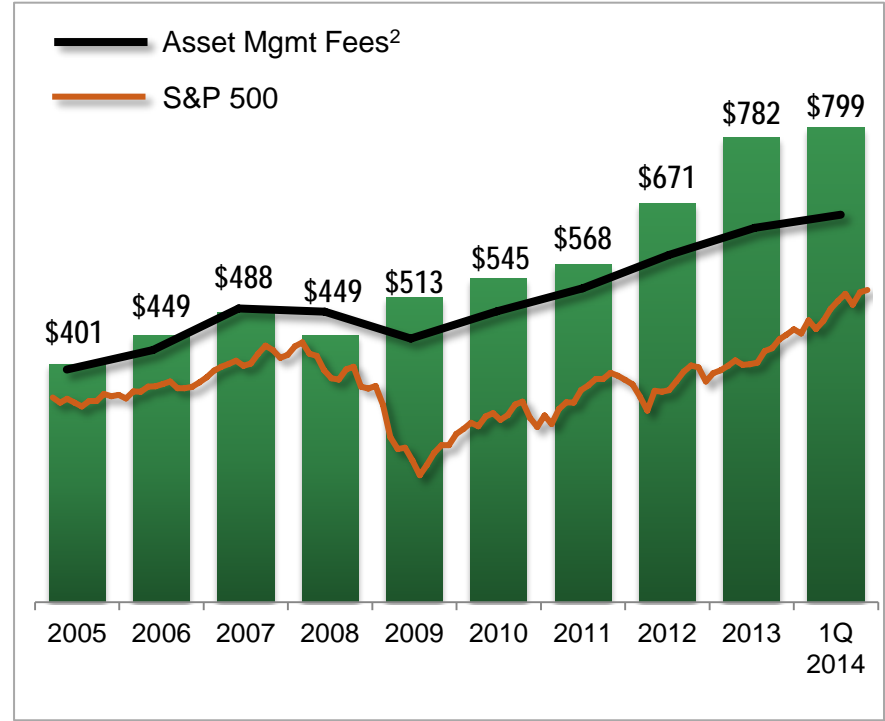
# Strong History of Growth in Fee-based Businesses

Trust and investment fees average approximately 60% of total revenues.

### Assets Under Custody (\$ Trillions)



### Assets Under Management\* (\$ Billions)



\* AUM is presented excluding securities lending collateral.

<sup>1</sup> Custody fees include C&IS custody & fund administration fees and Wealth Management Global Family Office fees. 1Q 2014 is annualized.

<sup>2</sup> Asset management fees include C&IS investment management fees and fees of the three Wealth Management regions. 1Q 2014 is annualized.



# Solid 2013 Financial Performance

(\$MM, Except EPS)	<u>2013</u>	<u>2013 vs. 2012</u>
Trust, Inv. & Other Servicing Fees	\$2,610	+8%
Foreign Exchange Trading Income	244	+19%
Other Non-Interest Income	302	+3%
Net Interest Income	933	-6%
Total Revenues	<u>4,089</u>	<u>+5%</u>
Non-Interest Expenses	2,994	+4%
Provision for Credit Losses	20	-20%
Pre-Tax Income	<u>1,075</u>	<u>+8%</u>
Taxes	344	+13%
<b>Net Income</b>	<b><u>\$731</u></b>	<b><u>+6%</u></b>
Earnings per Share	\$2.99	+6%
Return on Common Equity	9.5%	

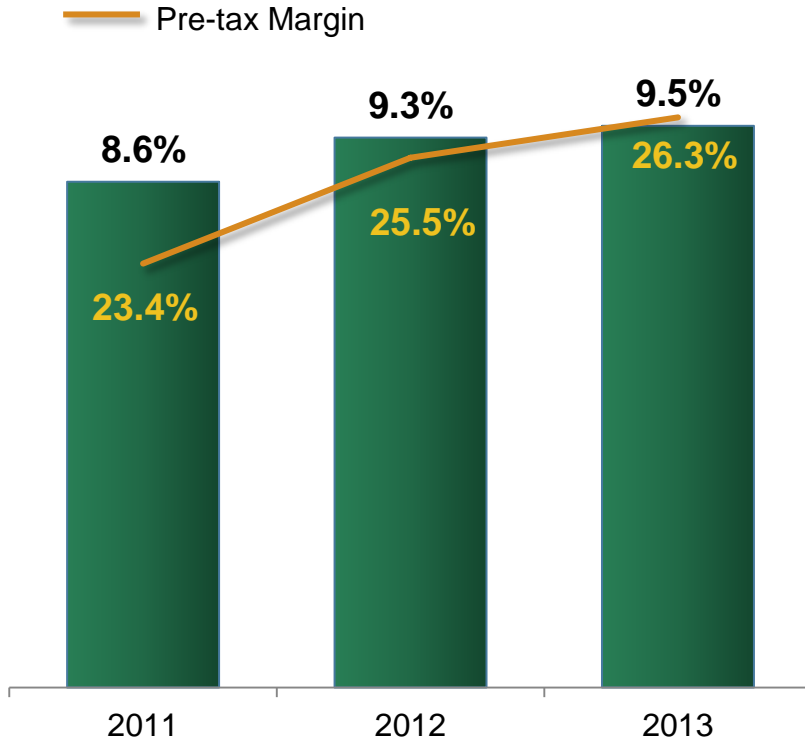
- Solid fee growth driven by strong new business and improving markets
- Growth in expenses reflects continued investment in people, technology, and risk management
- Improved our return on common equity to 9.5% in 2013 from 9.3% in 2012





# Improving Profitability & Returns

## Return on Equity



- Driving Performance initiatives contributed approximately \$270 million to 2013 pre-tax income, surpassing our initial target of \$250 million
- Efforts have contributed to the continued improvement in the profitability and returns of the business over the last two years
- We have developed strong management discipline in this area and will continue to seek improvements in 2014 and beyond



# Solid First Quarter 2014 Financial Performance

(\$MM, Except EPS)	1Q14	1Q14 vs. 1Q13
Trust, Inv. & Other Servicing Fees	\$679	+8%
Foreign Exchange Trading Income	50	-16%
Other Non-Interest Income	65	+8%
Net Interest Income	246	+9%
Total Revenues	1,040	+7%
Non-Interest Expenses	768	+5%
Provision for Credit Losses	3	-40%
Pre-Tax Income	269	+11%
Taxes	88	+12%
<b>Net Income</b>	<b>\$181</b>	<b>+11%</b>
Earnings per Share	\$0.75	+12%
Return on Common Equity	9.3%	

- Revenue growth was led by higher trust and investment fees and net interest income
- Expense growth, similar to 2013, reflects investments in people, technology and risk management to support growth in the business and an evolving set of regulatory requirements





# Returning Capital to Shareholders

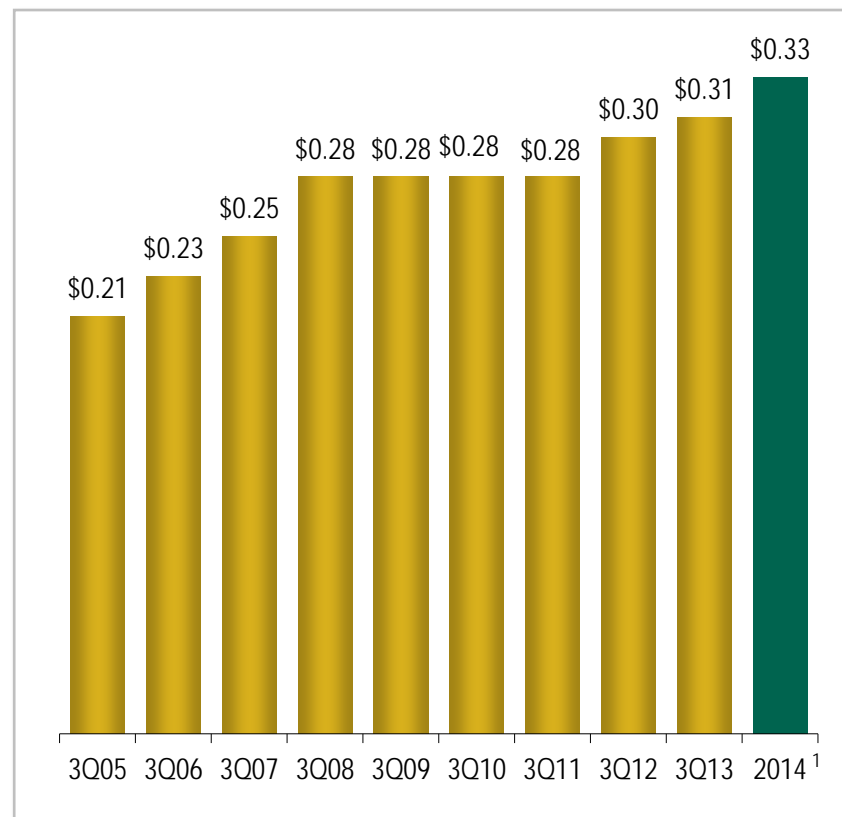
## Northern Trust Corporation Capital Ratios

Common Equity Tier 1	12.8%
Tier 1 Capital	13.0%
Total Risk-Based	15.5%
Leverage	7.8%

## Capital Return

- Declared \$299 million in dividends and repurchased \$310 million of our common stock in 2013
- The Federal Reserve did not object to Northern Trust's 2014 capital plan, including a planned increase in our dividend to \$0.33 per share and the repurchase of up to \$425 million of common stock through March 2015

## Quarterly Dividend Paid per Common Share



As of March 31, 2014. Capital ratios are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

<sup>1</sup>2014 figure represents the planned dividend action included in Northern Trust's 2014 Capital Plan. The Board of Directors will consider formal approval of the increase at its regular April meeting.





# Investing in Capabilities & Expertise

*Investing in capabilities and expertise to better serve clients.*



**Northern Trust**

Hedge Fund  
Services



Goals Driven Investing





# Investing in Strategic Locations

## *Investing in new offices.*



Frankfurt



Saudi Arabia



Fort Worth

## *Investing in office relocations.*



Miami



New York



Los Angeles





# Investing in Technology

*Investing in technology to enhance client and partner experience.*

- **Information Delivery**

Mobile and internet

- **Risk Analytics and Reporting**

Integrated analytics, performance & reporting for asset managers

- **Client Administration**

Shared service, automated workflow across personal and institutional clients

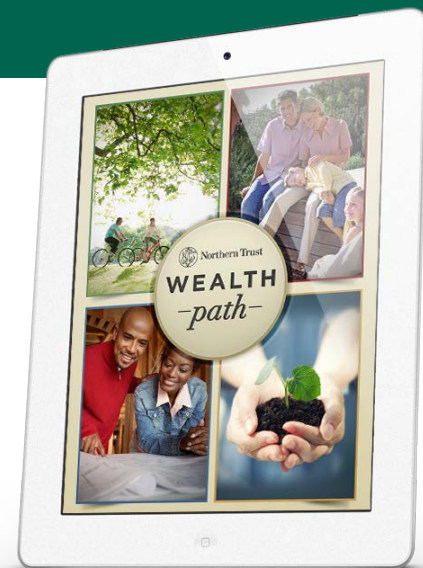
- **Availability & Resiliency**

Highly available platforms, converged infrastructures

- **Infrastructure Optimization**

Commodity virtualized servers

Service oriented architectures





# Investing in Risk Management

*Investing in risk management infrastructure and enhancing existing capabilities to meet regulatory requirements.*

- 
- **Capital Planning**      Transitioned to Comprehensive Capital Analysis and Review (CCAR) under Federal Reserve's Capital Plan Rule and exiting parallel run
- 
- **Resolution Planning**      Submitted Resolution Plan as required under the Dodd-Frank Act
- 
- **Compliance**      Supporting clients in the European Union under the Alternative Investment Fund Managers Directive and continuing to implement processes to comply with Foreign Account Tax Compliance Act







- Market Leader in Focused Businesses
- Strong History of Organic Growth
- Focused on Driving Performance
- Returning Capital to Shareholders
- Investing for the Future
- Leading Corporate Citizen







**Northern Trust**