

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Third Quarter 2014

Quarterly Earnings Review

October 22, 2014



Northern Trust



Executive Summary

- Net income of \$204.5 million, earnings per common share of \$0.84
- Return on equity of 10.1%
- The operating environment was mixed:
 - ◆ Equity markets are higher
 - ◆ Currency volatility remained at the relatively low levels seen in 2Q 2014
 - ◆ Short-term interest rates remained very low
- Assets under custody increased 13% over last year and declined 2% versus last quarter
- Assets under management increased 9% versus last year and were flat sequentially





Summary Results & Key Metrics

\$ in millions (except EPS and as noted)

	3Q 2014	% Change Vs.	
		3Q 2013	2Q 2014
Revenue (FTE ^{1,2})	\$1,085.8	+3%	-
Noninterest Expense	774.7	+5%	-4%
Provision for Credit Losses	-	-100%	-
Net Income	\$204.5	-1%	+12%
Earnings per Share	\$0.84	-	+12%
Return on Equity ³	10.1%	10.6%	9.2%
Assets under Custody (<i>in billions</i>)	\$5,910	+13%	-2%
Global Custody Assets (<i>in billions</i>)	\$3,437	+14%	-3%
Assets under Management (<i>in billions</i>)	\$923	+9%	-

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 11.

² Fully taxable equivalent

³ Actual numbers for all periods, not % change.

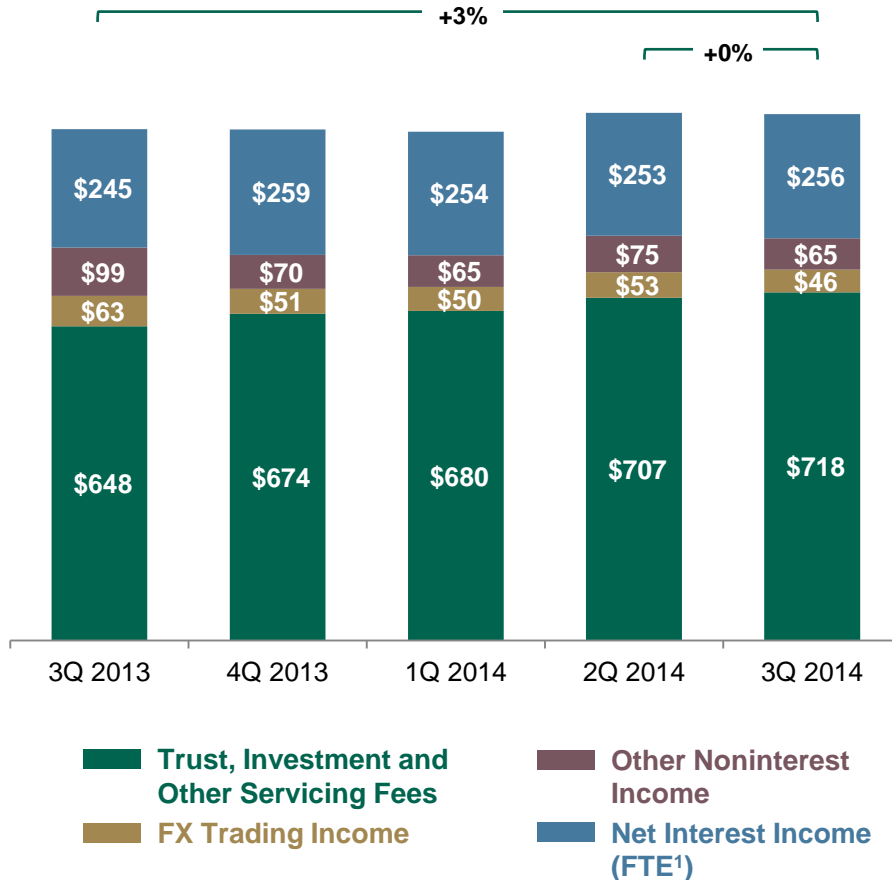




Total Revenue

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 11% year-over-year and 2% sequentially due to new business and favorable equity markets
- Foreign Exchange Trading Income decreased 26% from the prior year and 12% versus the prior quarter
- Other Noninterest Income was 35% lower than the prior year, which included a \$32.6 million gain on the sale of a building, and declined 14% sequentially
- Net Interest Income (FTE¹) was up 5% from the prior year and 1% versus the prior quarter

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 11.





Trust, Investment & Other Servicing Fees

\$ in millions (except as noted)

<u>Trust, Investment & Other Servicing Fees</u>	3Q 2014	% Change Vs.	
		<u>3Q 2013</u>	<u>2Q 2014</u>
Custody & Fund Administration	\$275.0	+15%	+5%
Investment Management	75.4	+6%	-3%
Securities Lending	22.0	-3%	-26%
Other	27.5	+4%	+3%
<i>Total Corporate & Institutional Services</i>	\$399.9	+11%	+1%
<i>Total Wealth Management</i>	\$318.3	+10%	+2%
<i>Client assets (in billions):</i>			
C&IS AUC	\$5,403.1	+13%	-2%
Global Custody Assets	\$3,437	+14%	-3%
C&IS AUM	\$703	+11%	-
Securities Lending Collateral	\$121	+16%	+4%
Wealth Management AUC	\$507	+8%	-2%
Wealth Management AUM	\$220	+4%	-1%

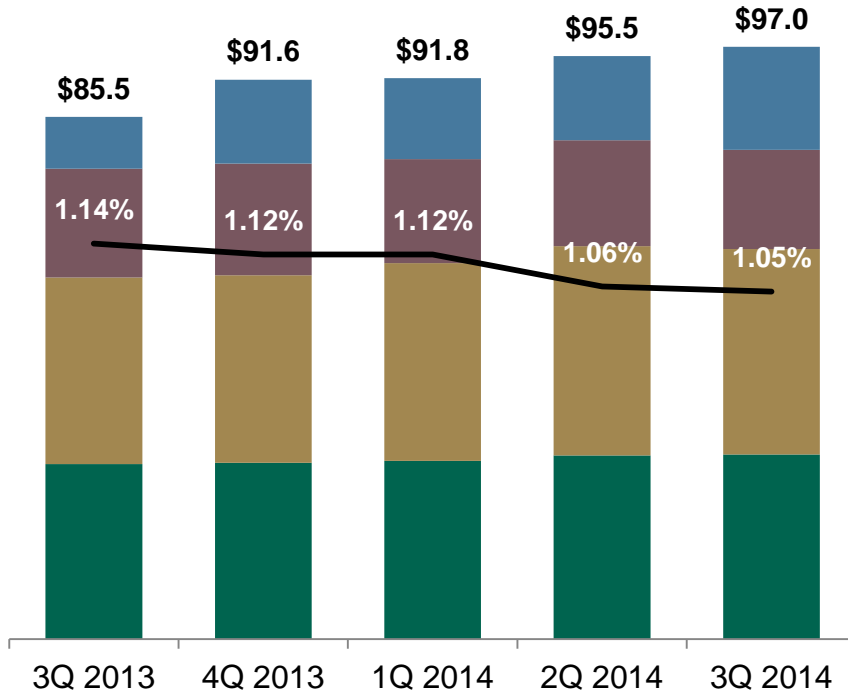
- Higher equity markets and new business increased client assets
- Money market fee waivers totaled \$16.7 million in C&IS and \$16.9 million in Wealth Management in the current quarter
- Securities Lending fees decreased 26% sequentially due to the prior quarter impact of the international dividend season





Net Interest Income

Average Earning Assets (\$ in billions)



- Average client deposits were up 14% relative to 3Q 2013 and 1% versus 2Q 2014
- ◆ This higher level of funding was primarily invested in Federal Reserve Deposits and Securities
- ◆ Loans and leases were up 6% on average versus the prior year
- Net Interest Margin narrowed to 1.05% from 1.14% a year ago and 1.06% in the prior quarter

NII (FTE ¹)	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
in millions	\$244.8	\$259.1	\$254.4	\$253.4	\$256.2

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

— NIM (FTE¹)

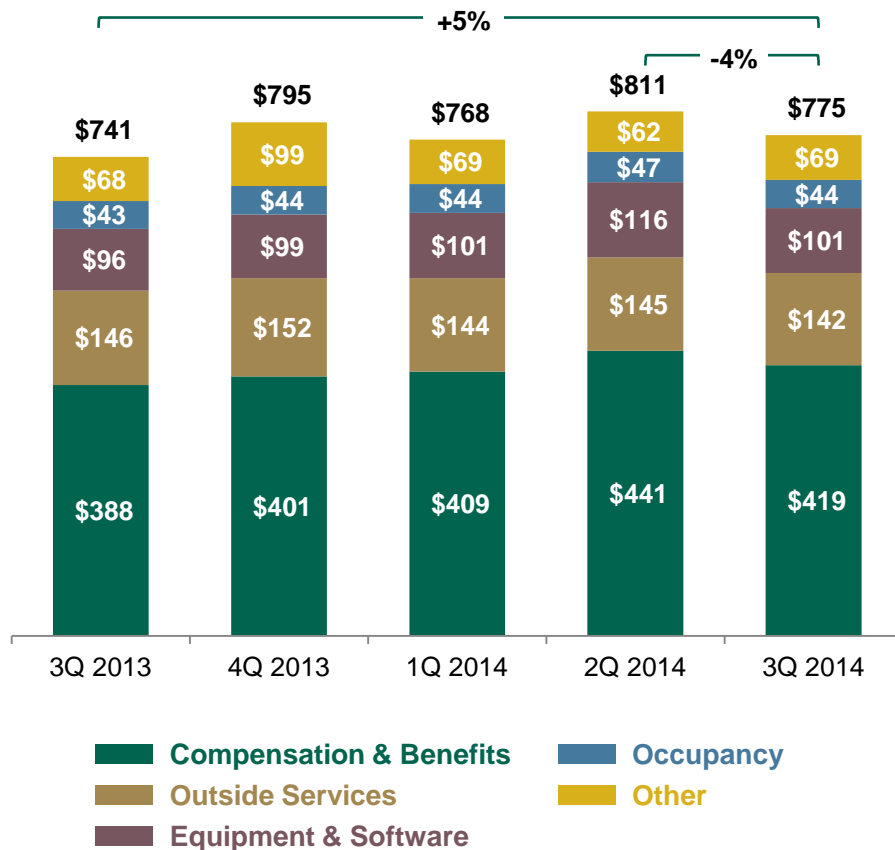
¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 11.



Noninterest Expense

\$ in millions

Total Noninterest Expense



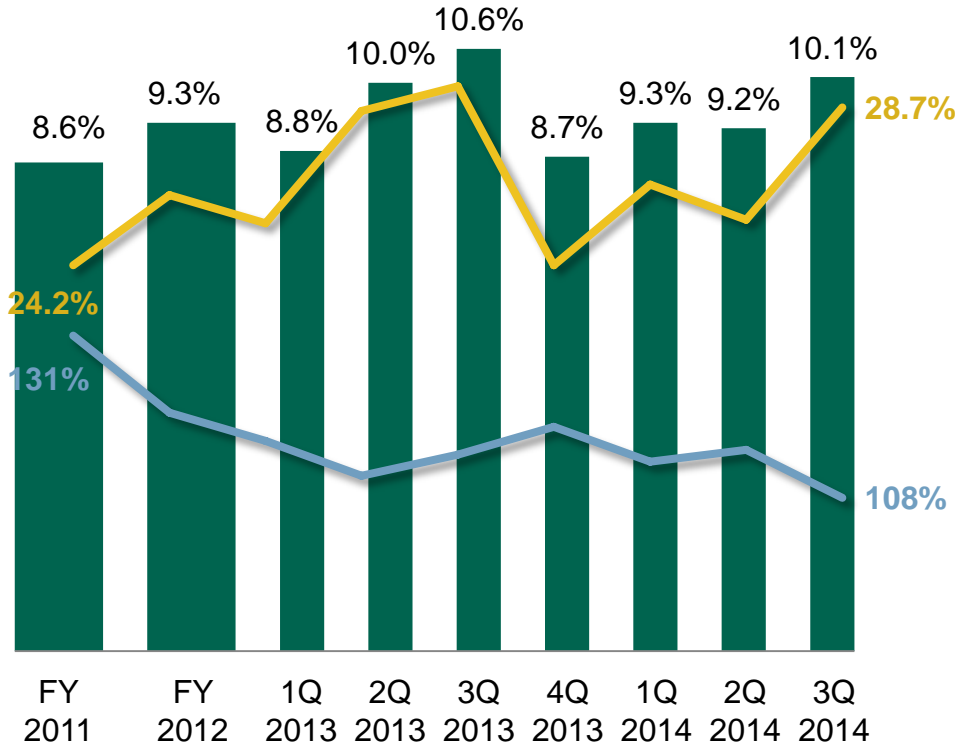
- Compensation & Benefits increased 8% year-over-year but declined sequentially, reflecting the \$27 million in severance related charges in 2Q 2014
- Outside Services expense was 2% lower than both last year and the prior quarter
- Equipment & Software expense was 5% higher than the prior year but declined versus the prior quarter, reflecting a \$9.5 million software write-off in 2Q 2014 and lower depreciation and amortization expense
- Occupancy costs were up 1% versus the prior year declined versus the prior quarter due to \$4.3 million in charges recorded in 2Q 2014
- Other Operating Expense increased 2% year-over-year and 12% sequentially

Categories may not sum due to rounding.





Return on Equity



- Pre-tax Margin (FTE¹)
- Noninterest Expense as a % of Trust & Investment Fees

- Focus on enhancing productivity and efficiency has improved profitability and returns over time
- Ratio of expenses to trust & investment fees has declined since 2011
- Return on equity was 10.1%

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 11.



Northern Trust Corporation Capital Ratios

Advanced Approach¹

Common Equity Tier 1	12.7%
Tier 1	13.4%
Total	15.3%

Standardized Approach²

Common Equity Tier 1	12.8%
Tier 1	13.6%
Total	16.0%
Leverage	7.9%

Capital Actions

- Issued \$400 million of preferred stock in 3Q 2014
- Repurchased \$77 million of our common stock in 3Q 2014
- Remaining capacity to repurchase up to \$273 million of common stock through 1Q 2015 under our 2014 Capital Plan that was reviewed without objection by the Federal Reserve

As of September 30, 2014.

¹ Effective with the second quarter of 2014, Northern Trust exited its parallel run. Accordingly, the September 30, 2014 ratios are calculated in compliance with the Basel III Advanced Approach final rules released by the Board of Governors of the Federal Reserve on July 2, 2013.

² Standardized Approach capital components in 2014 are determined by Basel III phased in requirements and risk weighted assets are determined by Basel I requirements. The ratios calculated under the Standardized Approach comply with the final rules released by the Board of Governors of the Federal Reserve on July 2, 2013.



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.

(\$ In Millions)	Three Months Ended									
	September 30, 2014			June 30, 2014			September 30, 2013			
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	
Net Interest Income										
Interest Income	\$ 293.8	\$ 6.9	\$ 300.7	\$ 293.8	\$ 6.8	\$ 300.6	\$ 291.1	\$ 7.8	\$ 298.9	
Interest Expense	44.5	–	44.5	47.2	–	47.2	54.1	–	54.1	
Net Interest Income	\$ 249.3	\$ 6.9	\$ 256.2	\$ 246.6	\$ 6.8	\$ 253.4	\$ 237.0	\$ 7.8	\$ 244.8	
Net Interest Margin	1.02%		1.05%	1.04%		1.06%	1.10%		1.14%	
Total Revenue	\$ 1,078.9	\$ 6.9	\$ 1,085.8	\$ 1,081.7	\$ 6.8	\$ 1,088.5	\$ 1,047.2	\$ 7.8	\$ 1,055.0	



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.

