

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Fourth Quarter 2014

Quarterly Earnings Review

January 21, 2015



Northern Trust

northerntrust.com



Executive Summary

- Fourth quarter 2014 net income of \$244.0 million and earnings per common share of \$0.98
 - ◆ Results included a \$9.5 million income tax benefit
 - ◆ Excluding the income tax benefit, net income and earnings per common share would have been \$234.5 million and \$0.94, respectively
- Full year 2014 net income of \$811.8 million and earnings per common share of \$3.32
- Reported return on equity of 11.5% for the fourth quarter and 10.0% for full year 2014
- The operating environment was mixed:
 - ◆ Equity markets were favorable
 - ◆ Currency volatility was higher
 - ◆ The dollar was stronger
 - ◆ Short-term interest rates remained low





Summary Results & Key Metrics: Fourth Quarter 2014

\$ in millions (except EPS and as noted)

	4Q 2014	% Change Vs.	
		4Q 2013	3Q 2014
Revenue (FTE ^{1,2})	\$1,137.1	+8%	+5%
Noninterest Expense	781.3	-2%	+1%
Provision for Credit Losses	3.0	-40%	N/M
Net Income	\$244.0	+44%	+19%
Earnings per Share	\$0.98	+40%	+17%
Return on Equity³	11.5%	8.7%	10.1%
Assets under Custody (<i>in billions</i>)	\$5,969	+7%	+1%
Global Custody Assets (<i>in billions</i>)	\$3,458	+6%	+1%
Assets under Management (<i>in billions</i>)	\$934	+6%	+1%

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.

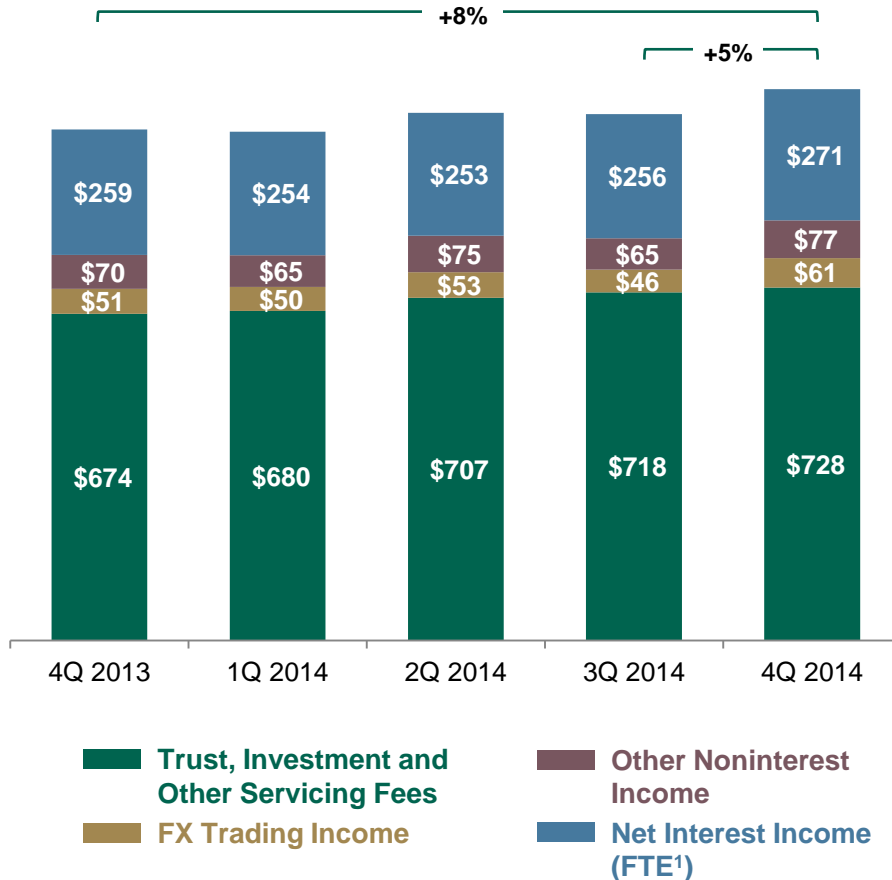




Total Revenue: Fourth Quarter 2014

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 8% year-over-year and 1% sequentially due to new business and favorable equity markets
- Foreign Exchange Trading Income increased 19% from the prior year and 31% versus the prior quarter
- Other Noninterest Income was 9% higher than the prior year and 19% sequentially
- Net Interest Income (FTE¹) was up 5% from the prior year and 6% 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 13.





Trust, Investment & Other Servicing Fees: Fourth Quarter 2014

\$ in millions (except as noted)

<u>Trust, Investment & Other Servicing Fees</u>	4Q 2014	% Change Vs.	
		<u>4Q 2013</u>	<u>3Q 2014</u>
Custody & Fund Administration	\$281.6	+12%	+2%
Investment Management	77.6	+4%	+3%
Securities Lending	21.8	-	-2%
Other	28.5	+23%	+4%
<i>Total Corporate & Institutional Services</i>	\$409.5	+10%	+2%
<i>Total Wealth Management</i>	\$318.7	+5%	-
<i>Client assets (in billions):</i>			
C&IS AUC	\$5,453	+7%	+1%
Global Custody Assets	\$3,458	+6%	+1%
C&IS AUM	\$710	+7%	+1%
Securities Lending Collateral	\$116	+14%	-4%
Wealth Management AUC	\$516	+4%	+2%
Wealth Management AUM	\$225	+1%	+2%

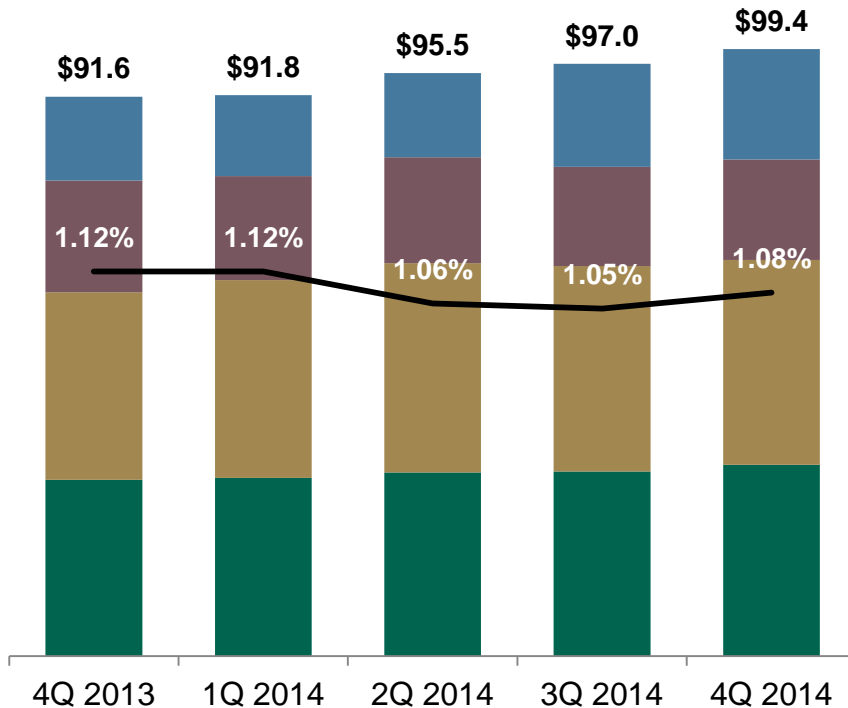
- Higher equity markets and new business increased client assets
- Money market fee waivers totaled \$16.8 million in C&IS and \$16.2 million in Wealth Management in the current quarter





Net Interest Income: Fourth Quarter 2014

Average Earning Assets (\$ in billions)



- Average client deposits were up 9% relative to 4Q 2013 and 2% versus 3Q 2014
- The mix of earnings assets remained relatively consistent
- ◆ Loans and leases were up 9% on average versus the prior year
- Net Interest Margin increased to 1.08% from 1.05% in the prior quarter, but remained lower than one year ago

NII (FTE ¹)	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
in millions	\$259.1	\$254.4	\$253.4	\$256.2	\$270.9



— 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 13.

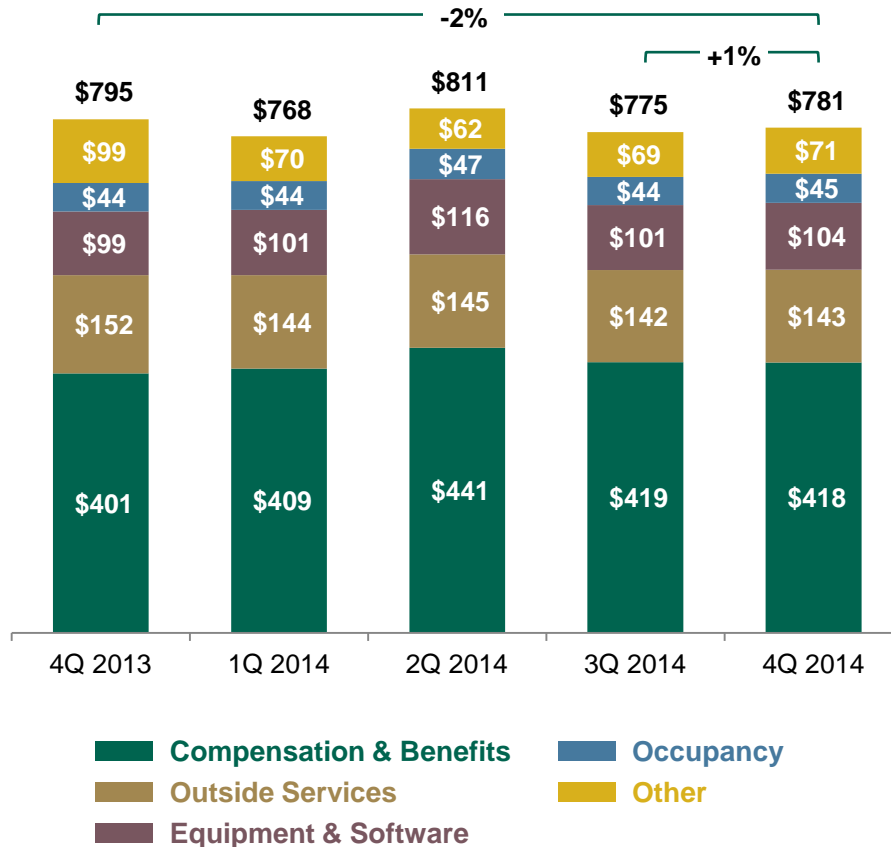




Noninterest Expense: Fourth Quarter 2014

\$ in millions

Total Noninterest Expense



- Compensation & Benefits increased 4% year-over-year but were flat sequentially as higher incentive compensation was offset by lower employee medical costs
- Outside Services expense was 6% lower than last year and up 1% sequentially
- Equipment & Software expense was 5% higher than the prior year and 3% higher than the prior quarter
- Occupancy costs were up 3% versus both the prior year and the prior quarter
- Other Operating Expense declined 28% year-over-year and increased 3% sequentially. The prior year quarter included a \$19.2 million charge related to a legal settlement

Categories may not sum due to rounding.





Results & Key Metrics: Full Year 2014

\$ in millions (except EPS and as noted)

	FY 2014	% Change Vs. FY 2013
Revenue (FTE ¹)	\$4,360.6	+6%
Noninterest Expense	3,135.0	+5%
Provision for Credit Losses	6.0	-70%
Net Income	\$811.8	+11%
Earnings per Share	\$3.32	+11%
Return on Equity ²	10.0%	9.5%
Assets under Custody (<i>in billions</i>)	\$5,969	+7%
Global Custody Assets (<i>in billions</i>)	\$3,458	+6%
Assets under Management (<i>in billions</i>)	\$934	+6%

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.

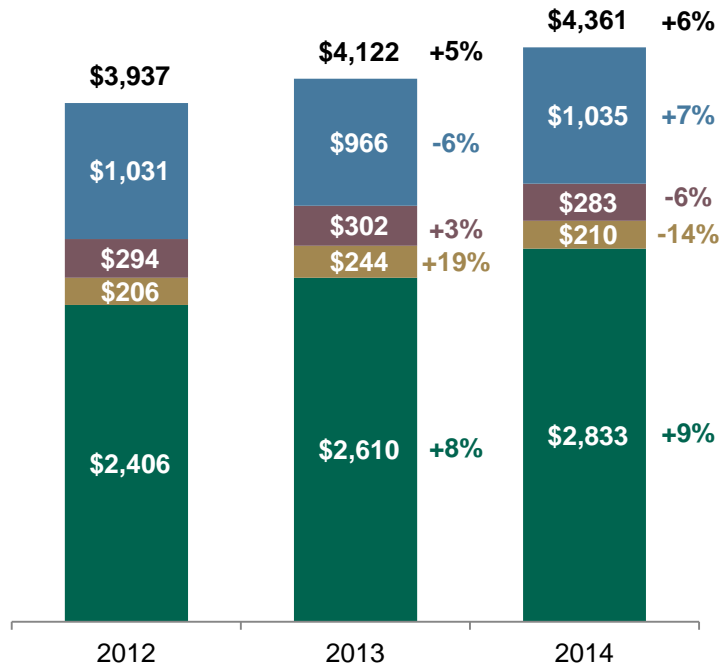
² Actual numbers for all periods, not % change.



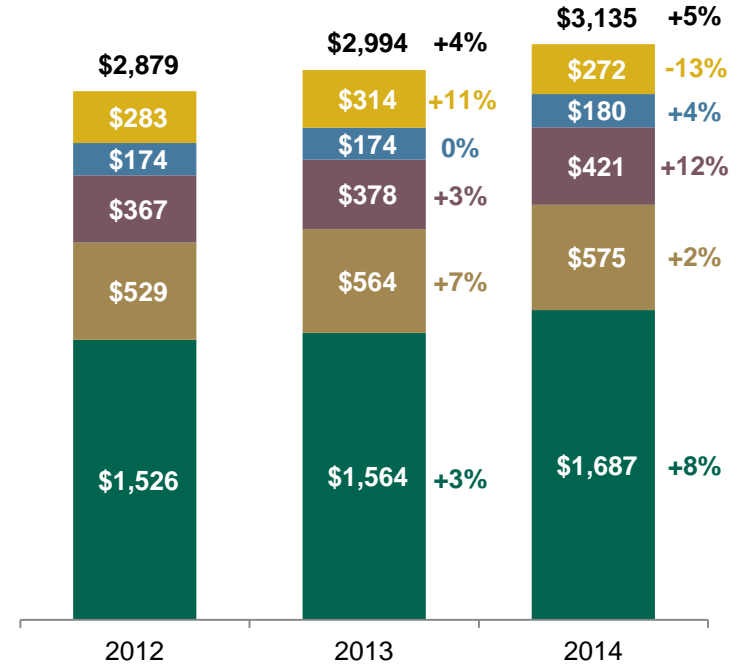
Revenue and Expense: Annual Trends

\$ in millions

Total Revenue (FTE¹)



Total Noninterest Expense



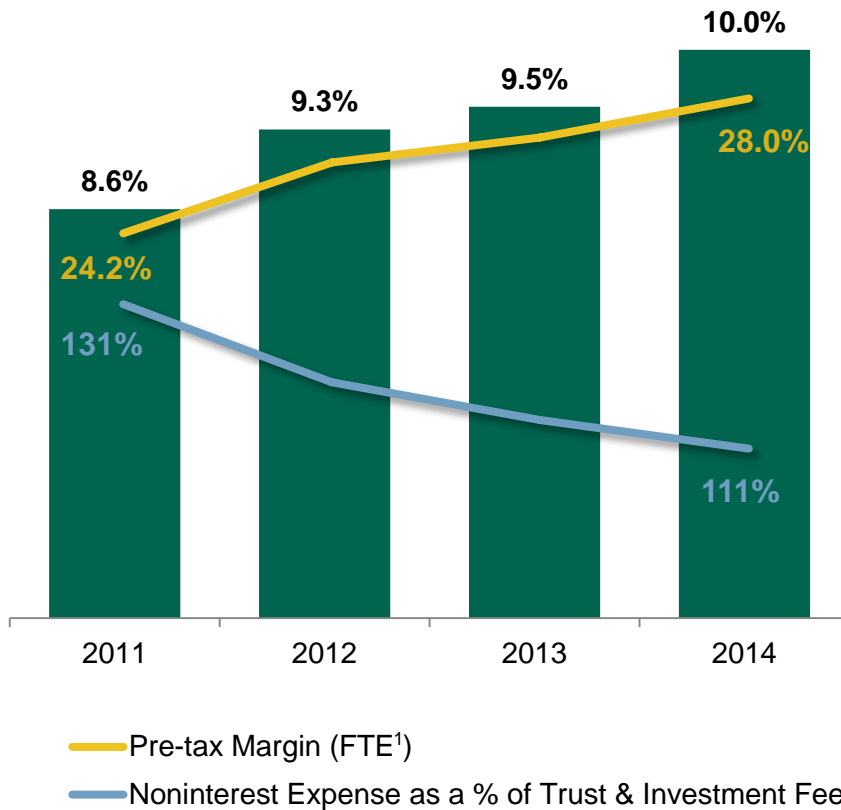
- Trust, Investment and Other Servicing Fees
- Other Noninterest Income
- FX Trading Income
- Net Interest Income (FTE¹)

- Compensation & Benefits
- Equipment & Software
- Outside Services
- 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.



Return on Equity



- 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 10.0% in 2014

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.



Northern Trust Corporation Capital Ratios

Advanced Approach¹

Common Equity Tier 1	12.4%
Tier 1	13.2%
Total	15.0%

Standardized Approach²

Common Equity Tier 1	12.5%
Tier 1	13.3%
Total	15.5%
Leverage	7.8%

Capital Return

- Declared \$311.7 million in common stock dividends and repurchased \$480.7 million of our common stock in 2014
- Remaining capacity to repurchase up to \$108 million of common stock through 1Q 2015 under our 2014 Capital Plan that was reviewed without objection by the Federal Reserve
- \$9.5 million in preferred stock dividends declared in 4Q 2014 covered the five-month period since issuance

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

¹ Effective with the second quarter of 2014, Northern Trust exited its parallel run. Accordingly, the December 31, 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.





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, 2014			September 30, 2014			December 31, 2013			
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	
Interest Income	\$ 303.9	\$ 7.0	\$ 310.9	\$ 293.8	\$ 6.9	\$ 300.7	\$ 302.4	\$ 9.2	\$ 311.6	
Interest Expense	40.0	–	40.0	44.5	–	44.5	52.5	–	52.5	
Net Interest Income	\$ 263.9	\$ 7.0	\$ 270.9	\$ 249.3	\$ 6.9	\$ 256.2	\$ 249.9	\$ 9.2	\$ 259.1	
Net Interest Margin	1.05%		1.08%	1.02%		1.05%	1.08%		1.12%	
Total Revenue	\$ 1,130.1	\$ 7.0	\$ 1,137.1	\$ 1,078.9	\$ 6.9	\$ 1,085.8	\$ 1,045.2	\$ 9.2	\$ 1,054.4	

Twelve Months Ended						
(\$ In millions)	December 31, 2014			December 31, 2013		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Interest Income	\$ 1,186.9	\$ 29.4	\$ 1,216.3	\$ 1,155.5	\$ 32.5	\$ 1,188.0
Interest Expense	181.4	–	181.4	222.4	–	222.4
Net Interest Income	\$ 1,005.5	\$ 29.4	\$ 1,034.9	\$ 933.1	\$ 32.5	\$ 965.6
Net Interest Margin	1.05%		1.08%	1.09%		1.13%
Total Revenue	\$ 4,331.2	\$ 29.4	\$ 4,360.6	\$ 4,089.3	\$ 32.5	\$ 4,121.8
Pre-tax Margin	27.5%		28.0%	26.3%		26.9%



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.

