

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Third Quarter 2015

Quarterly Earnings Review

October 21, 2015



Northern Trust

northerntrust.com



Executive Summary

- Net income of \$234.6 million, earnings per common share of \$0.96
- Return on average common equity was 10.9%
- The operating environment was mixed:
 - ◆ Equity markets are lower
 - ◆ Currency volatility remains higher compared to last year
 - ◆ Short-term interest rates remained low





Summary Results & Key Metrics

\$ in millions (except EPS and as noted)

	3Q 2015	% Change Vs.	
		3Q 2014	2Q 2015
Revenue (FTE ^{1,2})	\$1,161.6	+7%	-8%
Noninterest Expense	812.3	+5%	-5%
Provision for Credit Losses	(10.0)	N/M	-
Net Income	\$234.6	+15%	-13%
Earnings per Share	\$0.96	+14%	-13%
Return on Equity ³	10.9%	10.1%	12.8%
Assets under Custody (<i>in billions</i>)	\$5,956	+1%	-4%
Global Custody Assets (<i>in billions</i>)	\$3,445	-	-4%
Assets under Management (<i>in billions</i>)	\$887	-4%	-6%

- Excluding a \$99.9 million gain on the sale of Visa shares, a \$45.8 million charge associated with voluntary cash contributions to certain constant dollar NAV funds, and a \$17.8 million leasing impairment charge recorded in 2Q 2015:

- ◆ Revenue decreased 2% sequentially
- ◆ Expenses were flat sequentially
- ◆ Net Income and Earnings per Share decreased 5% sequentially

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.

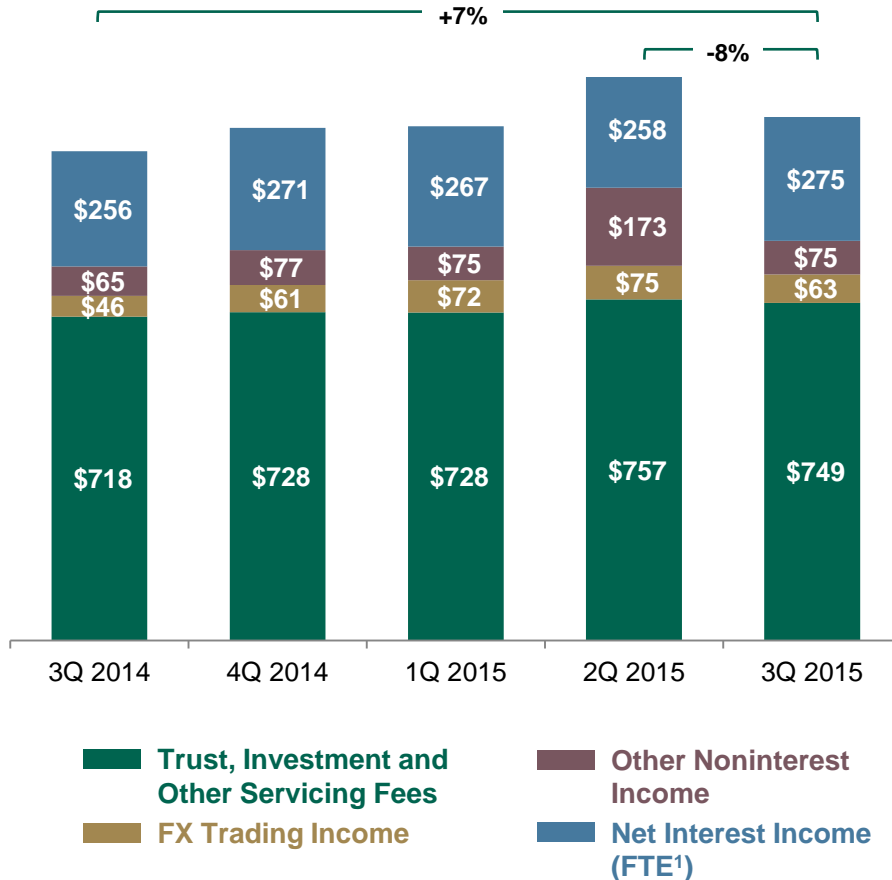




Total Revenue

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment and Other Servicing Fees were up 4% year-over-year and down 1% sequentially
- Foreign Exchange Trading Income increased 36% from the prior year but declined 16% versus the prior quarter
- Other Noninterest Income was up 15% year-over-year and increased 1% sequentially, adjusted for the \$99.9 million gain in 2Q 2015
- Net Interest Income (FTE¹) was up 7% year-over-year and flat sequentially, adjusted for the \$17.8 million lease impairment in 2Q 2015

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)

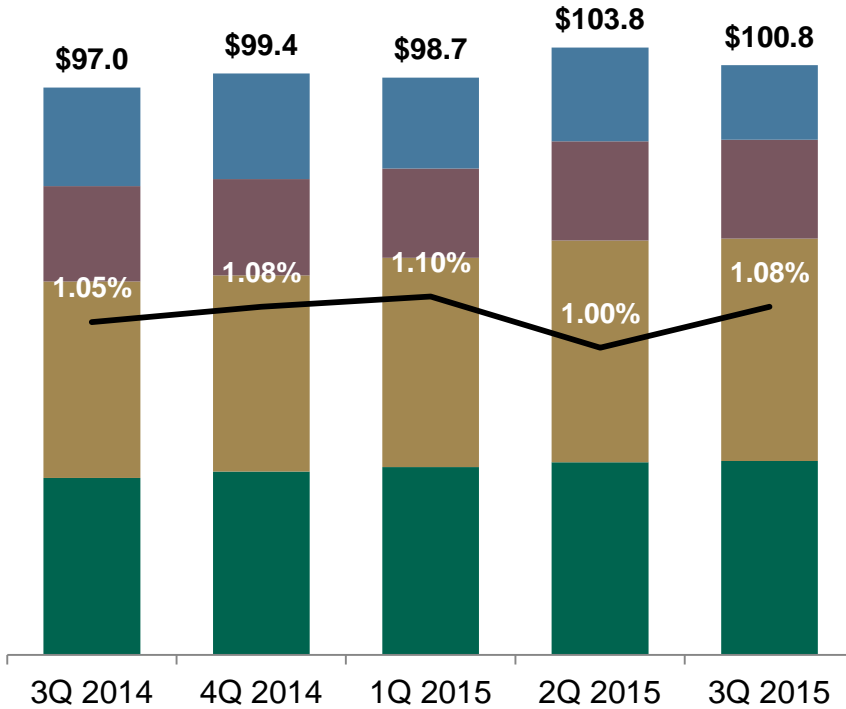
<u>Trust, Investment & Other Servicing Fees</u>	3Q 2015	% Change Vs.	
		<u>3Q 2014</u>	<u>2Q 2015</u>
Custody & Fund Administration	\$293.9	+7%	-
Investment Management	82.6	+10%	+2%
Securities Lending	19.8	-10%	-26%
Other	33.4	+21%	+7%
<i>Total Corporate & Institutional Services</i>	\$429.7	+7%	-1%
Central	\$126.8	-2%	-1%
East	82.1	-1%	-4%
West	66.8	-1%	-2%
Global Family Office	43.7	+15%	+4%
<i>Total Wealth Management</i>	\$319.4	-	-2%
<u>Client assets (in billions):</u>			
C&IS AUC	\$5,461	+1%	-3%
Global Custody Assets	\$3,445	-	-4%
C&IS AUM	\$662	-6%	-7%
Securities Lending Collateral	\$122	+1%	+1%
Wealth Management AUC	\$496	-2%	-5%
Wealth Management AUM	\$225	+2%	-3%

- C&IS trust & investment fees were up 7% year-over-year and declined 1% sequentially.
 - ◆ Custody & Fund Administration fee growth driven by new business
 - ◆ Investment Management fees reflect new business and lower fee waivers
 - ◆ Securities Lending fees declined 26% sequentially due to the prior quarter impact of the international dividend season
- New business in Wealth Management was offset by negative equity market performance





Average Earning Assets (\$ in billions)



	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
NII (FTE¹)	\$256.2	\$270.9	\$266.8	\$257.6	\$275.0

in millions

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

— NIM (FTE¹)

- Net Interest Income (FTE¹) was up 7% from the prior year and flat versus the prior quarter, adjusted for the lease impairment in 2Q 2015
- Average Earning Assets were 4% higher than the prior year and 3% lower sequentially
 - ◆ Average loans and leases were up 10% versus the prior year
- The Net Interest Margin increased versus the prior quarter due to the lease impairment charge in 2Q 2015 and a modest mix shift away from lower yielding interbank and Fed deposits

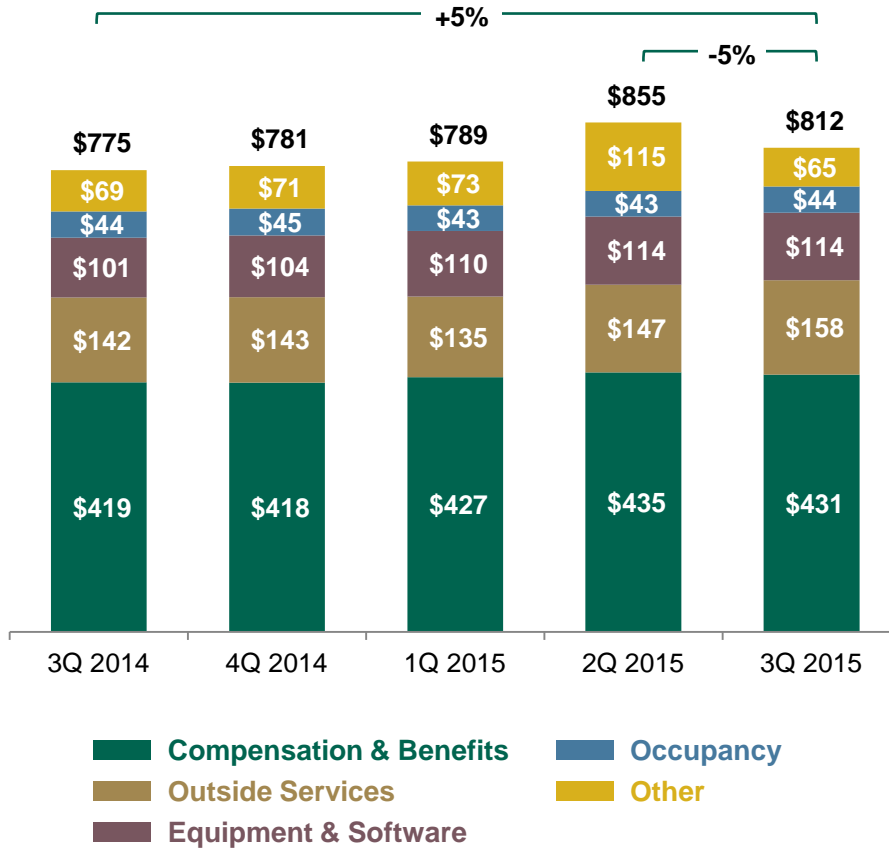
¹ Net interest income and net interest margin stated on an FTE basis are non-GAAP financial measures. A reconciliation of these measures to reported results prepared in accordance with U.S. GAAP is included in the Appendix on page 11.



Noninterest Expense

\$ in millions

Total Noninterest Expense

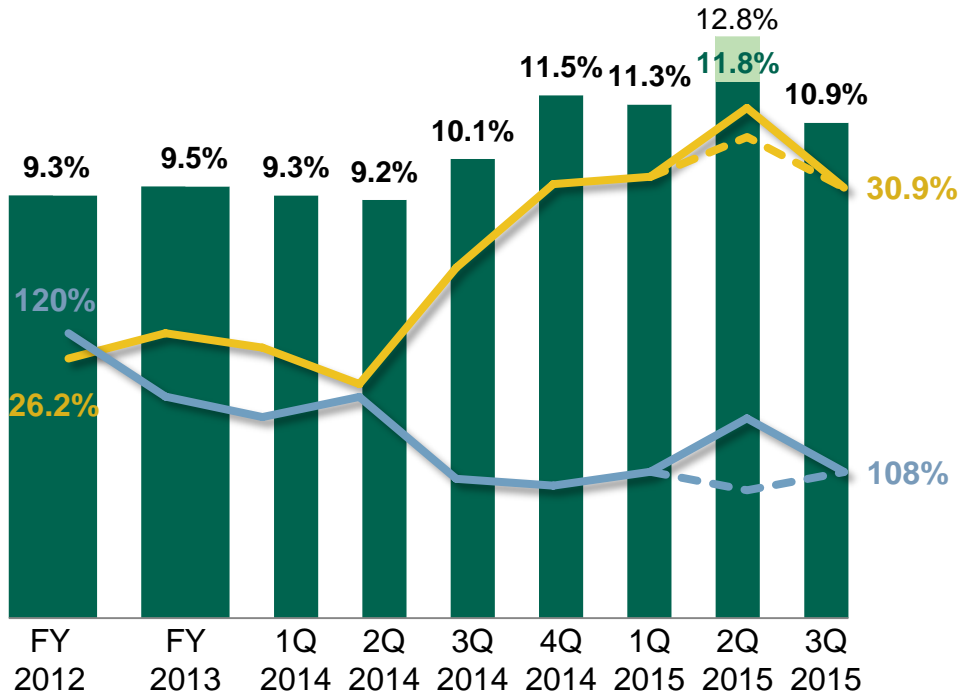


- Compensation expense increased 4% year-over-year and was flat sequentially
 - ◆ Growth in staff levels, salaries and incentives were partially offset by the impact of a stronger dollar in the year-over-year comparison
- Employee benefit expense was 1% lower year-over-year and 5% lower sequentially
- Outside Services expense was 11% higher than last year and 8% higher than last quarter
- Equipment & Software expense was 13% higher than the prior year but 1% lower sequentially
 - ◆ Year-to-date, Equipment & Software expense is up 6% versus prior year
- Other operating expense was 6% lower year-over-year and 5% lower sequentially, adjusted for the \$45.8 million charge in 2Q 2015

Categories may not sum due to rounding.



Return on Equity



- We remain focused on sustainably improving profitability and returns
- We achieved a return on equity of 10.9% in 3Q 2015, within our target range of 10% - 15%

— Pre-tax Margin (FTE¹)
 — Noninterest Expense as a % of Trust & Investment Fees
 - - Adjusted for gain and charges

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 Approach

Common Equity Tier 1	12.4%
Tier 1	13.0%
Total	14.8%
Supplementary Leverage	6.4%

Standardized Approach

Common Equity Tier 1	10.4%
Tier 1	11.0%
Total	12.8%
Leverage	7.8%

Capital Return

- Declared \$85 million in common stock dividends and repurchased \$141 million of common stock in 3Q 2015
- Remaining capacity to repurchase up to \$437 million of common stock through June 2016 under our 2015 capital plan

As of September 30, 2015. Capital ratios are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.





Appendix



Reconciliation of Non-GAAP Financial Measures

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

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

(\$ In Millions)	Three Months Ended								
	September 30, 2015			June 30, 2015			September 30, 2014		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Net Interest Income									
Interest Income	\$ 305.7	\$ 6.1	\$ 311.8	\$ 288.8	\$ 6.4	\$ 295.2	\$ 293.8	\$ 6.9	\$ 300.7
Interest Expense	36.8	—	\$ 36.8	37.6	—	37.6	44.5	—	44.5
Net Interest Income	\$ 268.9	\$ 6.1	\$ 275.0	\$ 251.2	\$ 6.4	\$ 257.6	\$ 249.3	\$ 6.9	\$ 256.2
Net Interest Margin	1.06%		1.08%	0.97%		1.00%	1.02%		1.05%
Total Revenue	\$ 1,155.5	\$ 6.1	\$ 1,161.6	\$ 1,255.9	\$ 6.4	\$ 1,262.3	\$ 1,078.9	\$ 6.9	\$ 1,085.8
Pre-tax Margin	30.6%		30.9%	32.8%		33.1%	28.2%		28.7%



Forward Looking Statement

This presentation may include forward-looking statements concerning Northern Trust's financial results and outlook, capital adequacy, dividend policy and stock repurchase program, anticipated expense levels and technology investments, risk management policies, contingent liabilities, strategic initiatives and investments, industry trends, and expectations regarding governmental and regulatory initiatives and developments. 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.

