

PRINCIPLES THAT ENDURE



Northern Trust Corporation

Fourth Quarter 2015

Quarterly Earnings Review

January 20, 2016



Northern Trust

northerntrust.com



Executive Summary

- Fourth quarter 2015 net income of \$239.3 million, earnings per common share of \$0.99
- Full year 2015 net income of \$973.8 million and earnings per common share of \$3.99
- Return on average common equity of 11.1% for the fourth quarter and 11.5% for full year 2015
- The operating environment was mixed:
 - ◆ Equity markets were lower year-over-year but higher sequentially
 - ◆ Currency volatility was higher compared to last year but lower sequentially, while currency volumes were lower
 - ◆ Short-term interest rates improved but remained low





Summary Results & Key Metrics: Fourth Quarter 2015

\$ in millions (except EPS and as noted)

	4Q 2015	% Change Vs.	
		4Q 2014	3Q 2015
Revenue (FTE ^{1,2})	\$1,163.3	+2%	-
Noninterest Expense	824.8	+6%	+2%
Provision for Credit Losses	(18.5)	N/M	+85%
Net Income	\$239.3	-2%	+2%
Earnings per Share	\$0.99	+1%	+3%
Return on Equity ³	11.1%	11.5%	10.9%
Assets under Custody (<i>in billions</i>)	\$6,072	+2%	+2%
Global Custody Assets (<i>in billions</i>)	\$3,530	+2%	+2%
Assets under Management (<i>in billions</i>)	\$875	-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

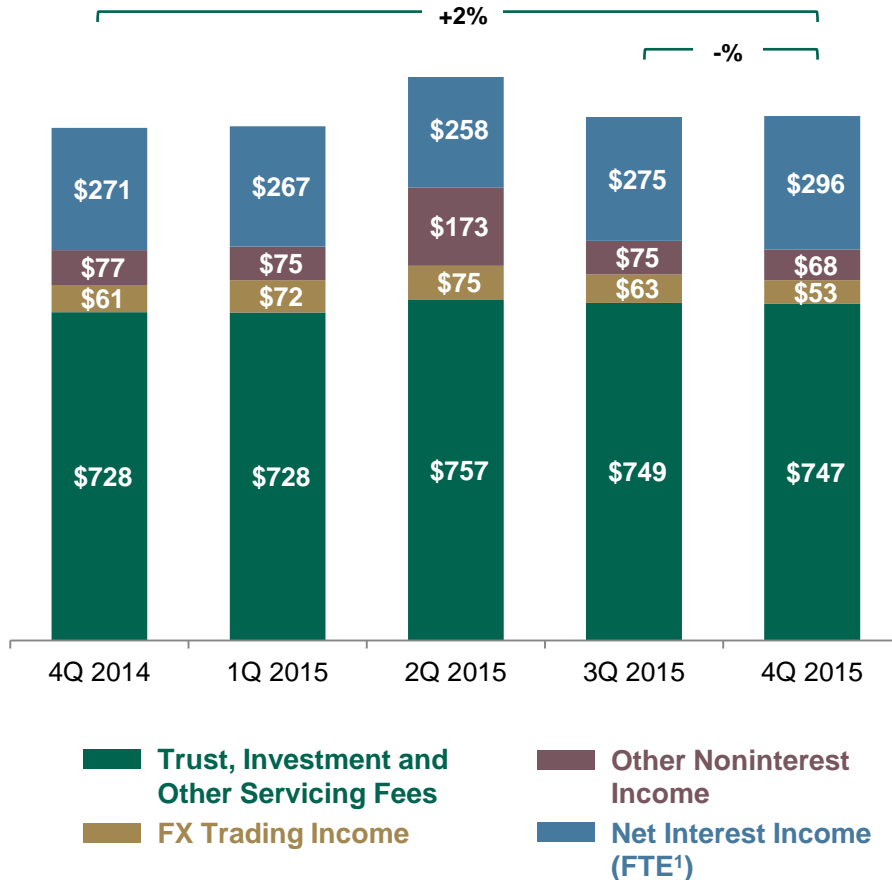
³ Actual numbers for all periods, not % change.



Total Revenue: Fourth Quarter 2015

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment & Other Servicing Fees were up 3% year-over-year and flat sequentially
- Foreign Exchange Trading Income decreased 13% from the prior year and 16% versus the prior quarter
- Other Noninterest Income was down 12% year-over-year and 9% sequentially
- Net Interest Income (FTE¹) was up 9% year-over-year and 8% sequentially

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 2015

\$ in millions (except as noted)

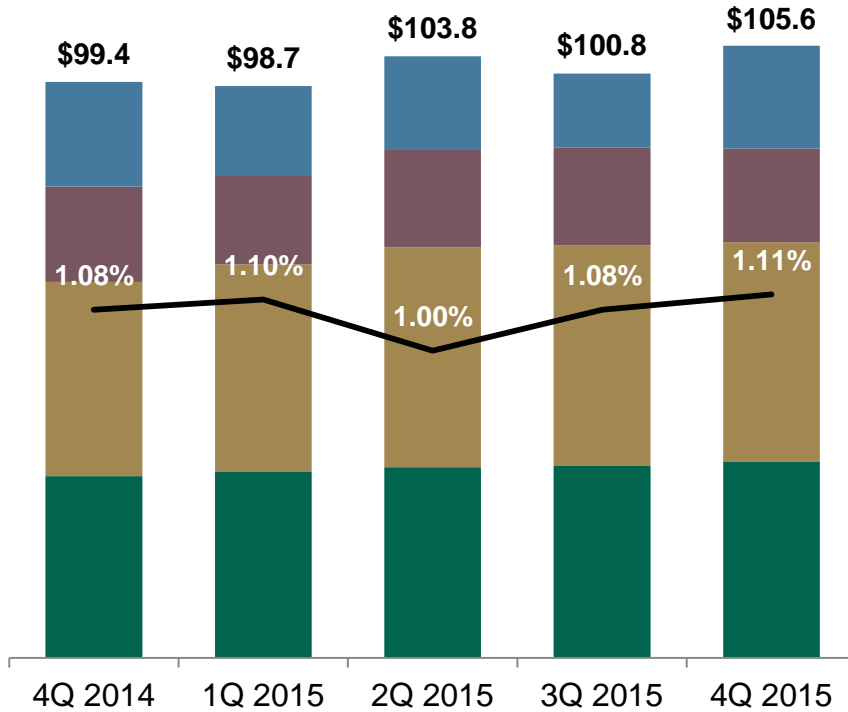
<u>Trust, Investment & Other Servicing Fees</u>	4Q 2015	% Change Vs.	
		<u>4Q 2014</u>	<u>3Q 2015</u>
Custody & Fund Administration	\$286.2	+2%	-3%
Investment Management	85.6	+10%	+4%
Securities Lending	22.3	+3%	+13%
Other	33.8	+19%	+1%
<i>Total Corporate & Institutional Services</i>	\$427.9	+5%	-
Central	\$128.5	-1%	+1%
East	82.3	-	-
West	65.6	-3%	-2%
Global Family Office	42.8	+9%	-2%
<i>Total Wealth Management</i>	\$319.2	-	-
<u>Client Assets (in billions):</u>			
C&IS AUC	\$5,566	+2%	+2%
Global Custody Assets	\$3,530	+2%	+2%
C&IS AUM	\$648	-9%	-2%
Securities Lending Collateral	\$104	-11%	-15%
Wealth Management AUC	\$506	-2%	+2%
Wealth Management AUM	\$227	+1%	+1%

- C&IS Trust, Investment & Other Servicing Fees were up 5% year-over-year and flat sequentially
 - ◆ Custody & Fund Administration fee growth driven by new business
 - ◆ Investment Management fees reflect lower money market mutual fund fee waivers
 - ◆ Securities Lending fees increased 13% sequentially due to widened spreads
- Wealth Management Trust, Investment & Other Servicing Fees were flat as new business and lower money market mutual fund fee waivers were offset by the impact of unfavorable markets





Average Earning Assets (\$ in billions)



	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015
NII (FTE¹)	\$270.9	\$266.8	\$257.6	\$275.0	\$296.0

in millions



- Net Interest Income (FTE¹) was up 9% year-over-year and 8% sequentially
- Average Earning Assets were 6% higher than the prior year and 5% higher sequentially
- ◆ Average securities were up 13% versus the prior year
- ◆ Average loans and leases were up 8% versus the prior year
- The Net Interest Margin increased versus the prior quarter due to higher yields on earnings assets, partially offset by a mix shift in earning assets

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.

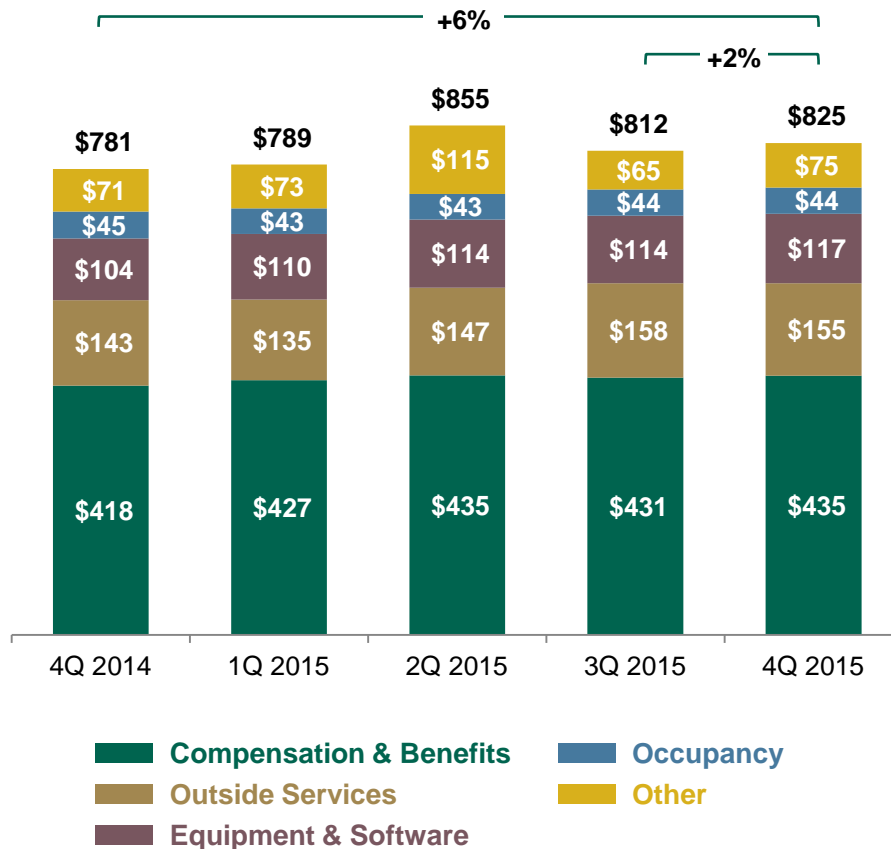




Noninterest Expense: Fourth Quarter 2015

\$ in millions

Total Noninterest Expense



- Compensation expense increased 3% year-over-year and 1% sequentially
- Employee benefit expense increased 11% year-over-year and was 1% lower sequentially
- ◆ Higher medical costs and pension expense contributed to the year-over-year comparison
- Outside Services expense was 8% higher than last year and 2% lower than last quarter
- Equipment & Software expense was 13% higher than the prior year and 3% higher sequentially
- Other operating expense was 5% higher year-over-year and 14% higher sequentially

Categories may not sum due to rounding.





Results & Key Metrics: Full Year 2015

\$ in millions (except EPS and as noted)

	FY 2015	% Change Vs. FY 2014
Revenue (FTE ¹)	\$4,727.9	+8%
Noninterest Expense	3,280.6	+5%
Provision for Credit Losses	(43.0)	N/M
Net Income	\$973.8	+20%
Earnings per Share	\$3.99	+20%
Return on Equity ²	11.5%	10.0%
Assets under Custody (<i>in billions</i>)	\$6,072	+2%
Global Custody Assets (<i>in billions</i>)	\$3,530	+2%
Assets under Management (<i>in billions</i>)	\$875	-6%

- The current year includes:
 - ◆ \$99.9 million gain on the sale of Visa shares
 - ◆ \$45.8 million charge associated with voluntary cash contributions to certain constant dollar NAV funds
 - ◆ \$17.8 million leasing impairment charge
- Excluding these current year items:
 - ◆ Net income was \$951.4 million and earnings per common share was \$3.90

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

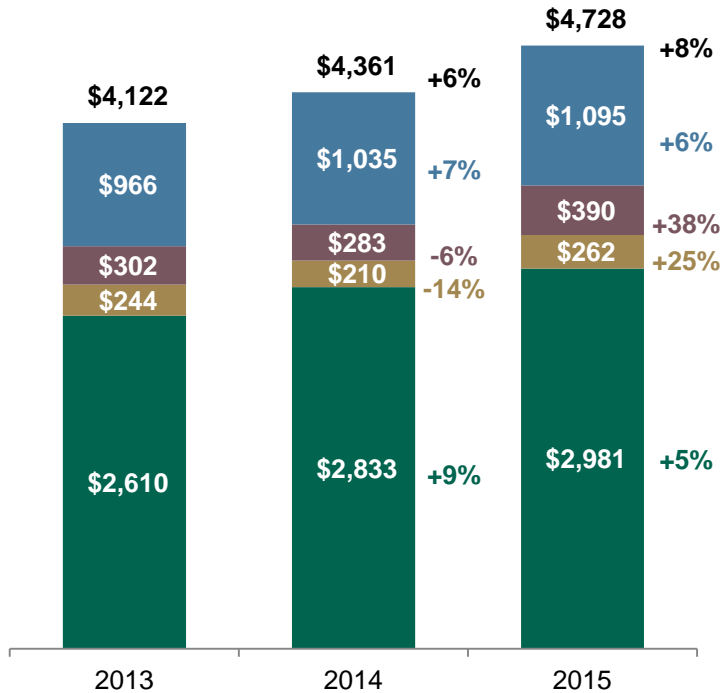
² Actual numbers for all periods, not % change.



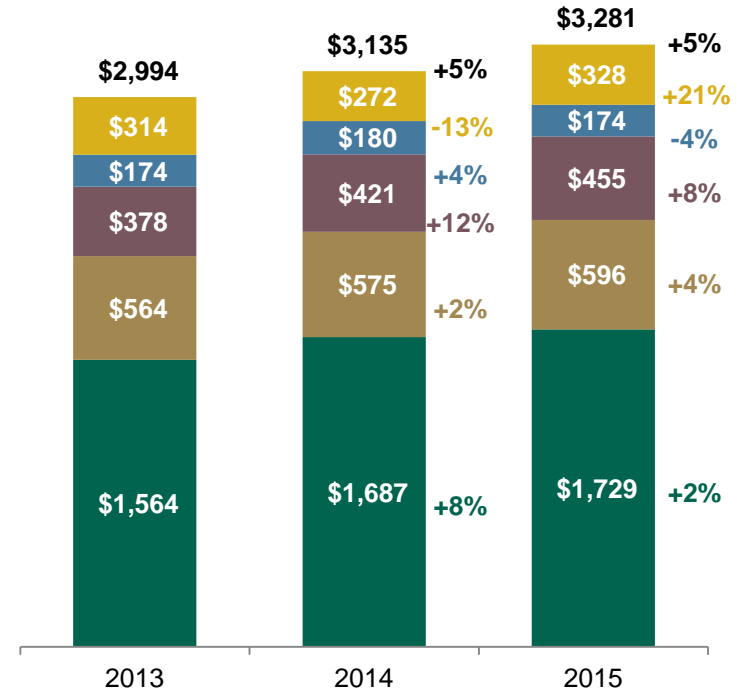
Revenue and Expense: Annual Trends

\$ in millions

Total Revenue (FTE¹)



Total Noninterest Expense



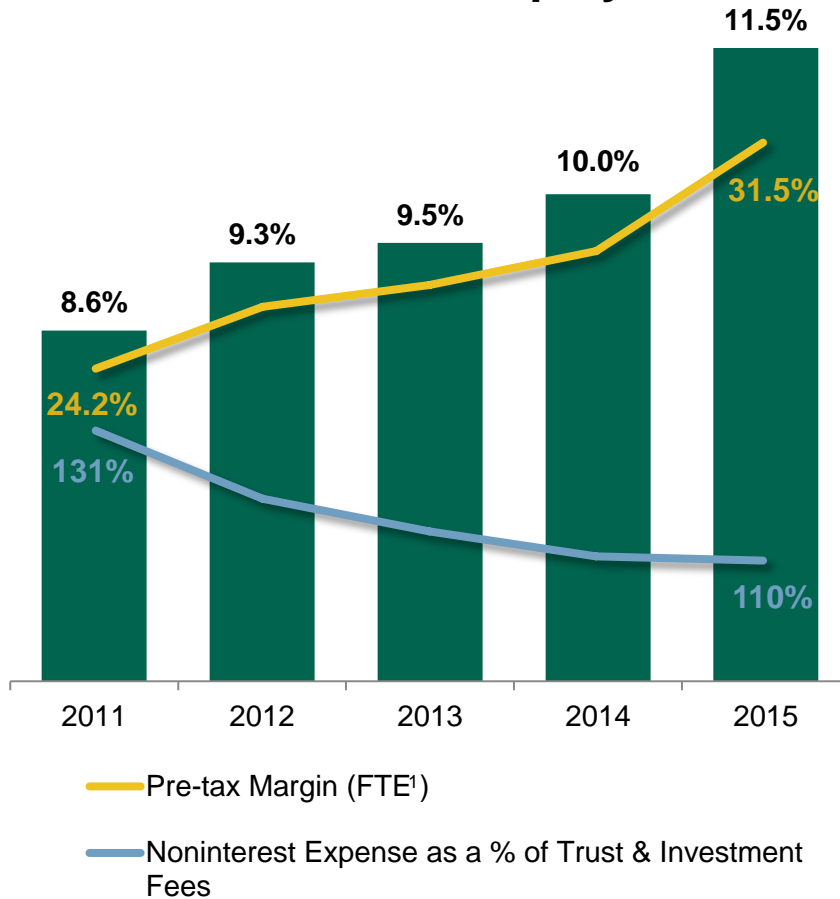
- Trust, Investment and Other Servicing Fees
- Other Noninterest Income
- FX Trading Income
- Net Interest Income (FTE¹)

- 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



- We remain focused on sustainably improving profitability and returns
- Ratio of expenses to trust & investment fees has declined since 2011
- Return on equity was 11.5% in 2015, up 1.5 percentage points from prior year and within our target range of 10% - 15%

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 Approach

Common Equity Tier 1	11.9%
Tier 1	12.5%
Total	14.2%
Supplementary Leverage	6.2%

Standardized Approach

Common Equity Tier 1	10.8%
Tier 1	11.4%
Total	13.2%
Leverage	7.5%

Capital Return

- Declared \$84.3 million in common stock dividends and repurchased \$152.5 million of common stock in 4Q 2015
- Remaining capacity to repurchase up to \$285 million of common stock through June 2016 under our 2015 capital plan

As of December 31, 2015. Capital ratios are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.



PRINCIPLES THAT ENDURE



Appendix



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Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of interest income, net interest income, net interest margin, total revenue and pre-tax margin 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.

Three Months Ended

(\$ In Millions)	December 31, 2015			September 30, 2015			December 31, 2014		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Net Interest Income									
Interest Income	\$ 330.7	\$ 6.6	\$ 337.3	\$ 305.7	\$ 6.1	\$ 311.8	\$ 303.9	\$ 7.0	\$ 310.9
Interest Expense	41.3	—	41.3	36.8	—	36.8	40.0	—	40.0
Net Interest Income	\$ 289.4	\$ 6.6	\$ 296.0	\$ 268.9	\$ 6.1	\$ 275.0	\$ 263.9	\$ 7.0	\$ 270.9
Net Interest Margin	1.09%		1.11%	1.06%		1.08%	1.05%		1.08%
Total Revenue	\$ 1,156.7	\$ 6.6	\$ 1,163.3	\$ 1,155.5	\$ 6.1	\$ 1,161.6	\$ 1,130.1	\$ 7.0	\$ 1,137.1
Pre-tax Margin	30.3%		30.7%	30.6%		30.9%	30.6%		31.0%

Twelve Months Ended

(\$ In Millions)	December 31, 2015			December 31, 2014		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Net Interest Income						
Interest Income	\$ 1,224.0	\$ 25.3	\$ 1,249.3	\$ 1,186.9	\$ 29.4	\$ 1,216.3
Interest Expense	153.9	—	153.9	181.4	—	181.4
Net Interest Income	\$ 1,070.1	\$ 25.3	\$ 1,095.4	\$ 1,005.5	\$ 29.4	\$ 1,034.9
Net Interest Margin	1.05 %		1.07 %	1.05 %		1.08 %
Total Revenue	\$ 4,702.6	\$ 25.3	\$ 4,727.9	\$ 4,331.2	\$ 29.4	\$ 4,360.6
Pre-tax Margin	31.2 %		31.5 %	27.5 %		28.0 %



Forward-Looking Statements

This presentation may include statements which constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified typically by words or phrases such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “likely,” “plan,” “goal,” “target,” “strategy,” and similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” and “could”. Forward-looking statements include statements, other than those related to historical facts, that relate to Northern Trust’s financial results and outlook, capital adequacy, dividend policy, anticipated expense levels, spending related to technology and regulatory initiatives, risk management policies, contingent liabilities, strategic initiatives, industry trends, and expectations regarding the impact of recent legislation. These statements are based on Northern Trust’s current beliefs and expectations of future events or future results, and involve risks and uncertainties that are difficult to predict and subject to change. These statements are also 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.

This presentation should be reviewed together with Northern Trust Corporation’s fourth quarter 2015 earnings press release, which is available at:

www.northerntrust.com/about-us/investor-relations/financial-information/earnings-releases

