

Northern Trust Corporation

Second Quarter 2016 Quarterly Earnings Review

July 20, 2016



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$260.7 million, earnings per common share of \$1.09, return on average common equity of 12.2%
- The current quarter included the following items with a net benefit of \$14.0 million (\$8.0 million after tax, or \$0.03 per share):
 - A \$118.2 million gain on the sale of 1.1 million Visa Inc. Class B common shares, net of expense related to existing swaps
 - A \$46.5 million charge in connection with an agreement to settle certain securities lending litigation
 - A \$14.1 million charge and loss on sale related to the decision to exit a portion of a non-strategic loan and lease portfolio
 - A \$7.5 million charge related to the residual value of certain aircraft and rail cars
 - A \$18.6 million charge related to contractual modifications associated with existing C&IS asset servicing clients
 - A \$17.5 million charge related to severance, other personnel and related charges
- Adjusted for these items, net income was \$252.7 million, earnings per common share were \$1.06, and return on average common equity was 11.7%
- Assets under custody increased 3% year-over-year and 2% sequentially
- Assets under management were 4% lower year-over-year and up 1% sequentially

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

	2Q 2016	% Change Vs.	
		2Q 2015	1Q 2016
Revenue (FTE ^{1,2})	\$1,323.6	+5%	+11%
Noninterest Expense	925.0	+8%	+12%
Provision for Credit Losses	(3.0)	-70%	N/M
Net Income	\$260.7	-3%	+8%
Earnings per Share	\$1.09	-1%	+8%
Return on Equity ³	12.2%	12.8%	11.4%
Assets under Custody (<i>in billions</i>)	\$6,353	+3%	+2%
Global Custody Assets (<i>in billions</i>)	\$3,707	+3%	+2%
Assets under Management (<i>in billions</i>)	\$906	-4%	+1%

- Excluding current and prior-year gains and charges:
 - Revenues increased 4% year-over-year and 3% sequentially
 - Expenses increased 4% year-over-year and 2% sequentially
 - Net income increased 2% year-over-year and 5% sequentially
 - Return on equity was 11.7%

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.

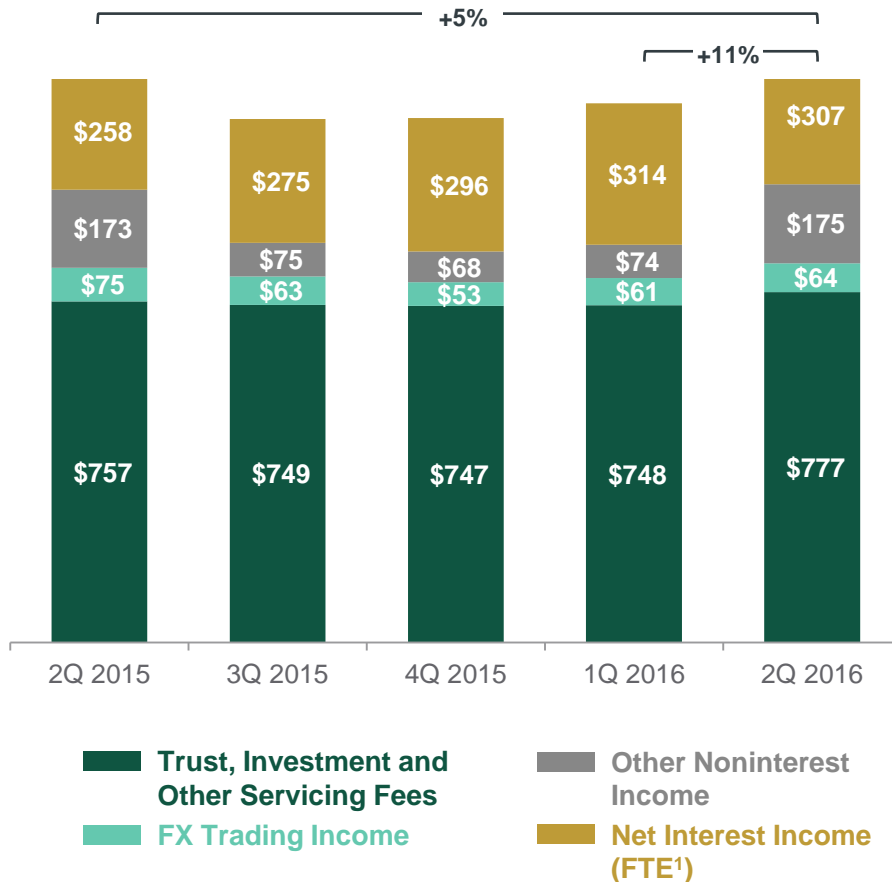
² Fully taxable equivalent

³ Actual numbers for all periods, not % change.

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment & Other Servicing Fees were up 3% year-over-year and 4% sequentially
- Foreign Exchange Trading Income decreased 14% year-over-year and increased 6% sequentially
- Other Noninterest Income, adjusted for the gains in the current and prior-year quarter, was up 4% year-over-year and sequentially
- Net Interest Income (FTE¹), adjusted for the charges in the current and prior-year quarter, was up 12% year-over-year and down 2% 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 11.

TRUST, INVESTMENT & OTHER SERVICING FEES

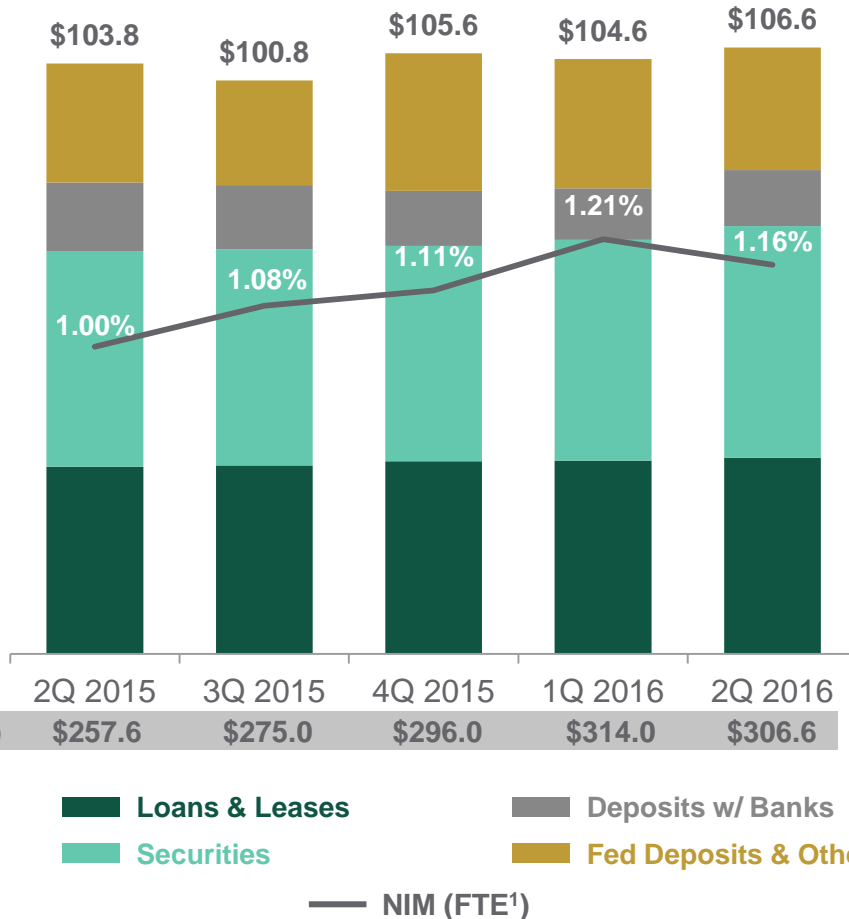
\$ in millions (except as noted)

Trust, Investment & Other Servicing Fees	2Q 2016	% Change Vs.	
		2Q 2015	1Q 2016
Custody & Fund Administration	\$293.3	-	+2%
Investment Management	94.2	+17%	+6%
Securities Lending	26.8	-	+18%
Other	32.6	+5%	-8%
<i>Total Corporate & Institutional Services</i>	\$446.9	+3%	+3%
Central	\$130.2	+2%	+5%
East	84.5	-2%	+4%
West	67.5	-1%	+6%
Global Family Office	48.1	+14%	+6%
<i>Total Wealth Management</i>	\$330.3	+2%	+5%
<u>Client Assets (in billions):</u>			
C&IS AUC	\$5,839	+3%	+2%
Global Custody Assets	\$3,707	+3%	+2%
C&IS AUM	\$672	-6%	-
Securities Lending Collateral	\$108	-10%	+2%
Wealth Management AUC	\$514	-2%	+1%
Wealth Management AUM	\$234	+1%	+2%

- C&IS Trust, Investment & Other Servicing Fees were up 3% year-over-year and sequentially
 - Custody & Fund Administration fee growth sequentially was primarily driven by new business
 - Investment Management fees reflect lower money market mutual fund fee waivers
 - Securities Lending fees increased 18% sequentially primarily reflecting higher spreads
- Wealth Management Trust, Investment & Other Servicing Fees were up 2% year-over-year and 5% sequentially
 - Sequentially, the increase was primarily attributable to the impact of favorable equity markets and lower money market fund fee waivers

NET INTEREST INCOME

Average Earning Assets (\$ in billions)



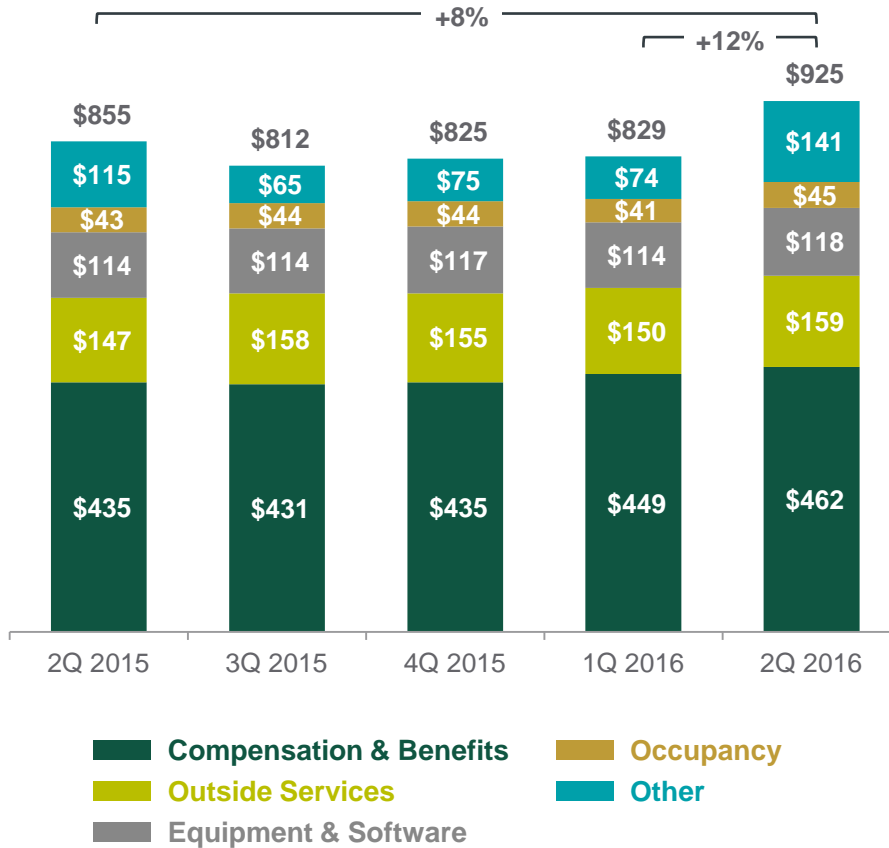
- Adjusted for lease impairments in the current and prior year, Net Interest Income (FTE¹) was up 12% year-over-year and down 2% sequentially and NIM was 1.17%
- Average Earning Assets were up 3% year-over-year and 2% sequentially
 - Average securities were up 7% year-over-year and 5% sequentially
 - Average loans and leases were up 5% year-over-year and 1% sequentially
- The adjusted Net Interest Margin declined versus the prior quarter primarily reflecting lower yields on 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 11.

NONINTEREST EXPENSE

\$ in millions

Total Noninterest Expense

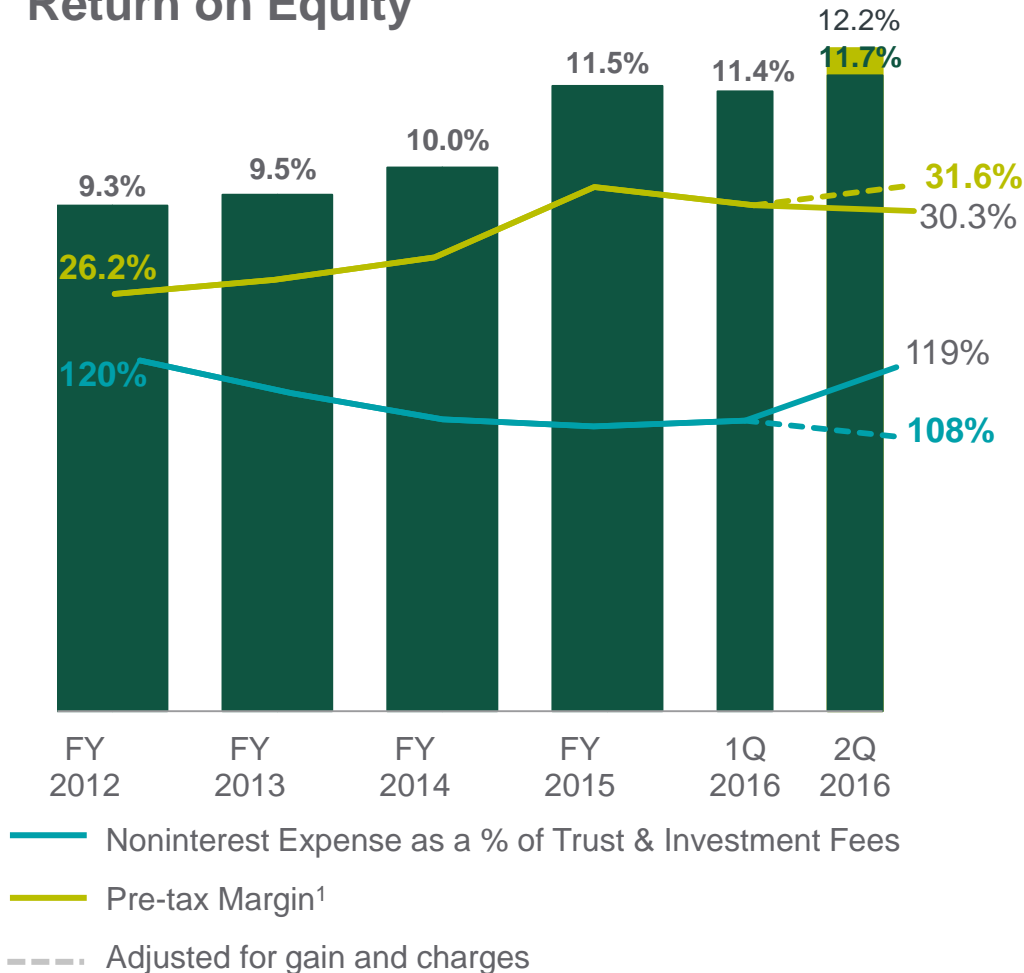


- Adjusted for current quarter severance-related charges, compensation expense increased 4% year-over-year and decreased 1% sequentially
 - Higher salary expense attributable to staff growth contributed to the year-over-year comparison
- Adjusted for current quarter severance-related charges, employee benefit expense decreased 3% year-over-year and was flat sequentially
- Outside Services expense was 8% higher year-over-year and 6% higher sequentially
- Equipment & Software expense was 3% higher year-over-year and sequentially
- Occupancy expense was 5% higher year-over-year and 11% higher sequentially
- Adjusted for current and prior-year quarter charges, other operating expense was 7% higher year-over-year and down 1% sequentially

Categories may not sum due to rounding.

PROFITABILITY AND RETURNS

Return on Equity



- We remain focused on sustainably improving profitability and returns
- Ratio of expenses to trust & investment fees continued to improve when adjusted to exclude the current quarter charges
- Return on equity was 12.2%, or 11.7% when adjusted for the current quarter gain and charges, which is 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 11.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

Common Equity Tier 1	11.5%
Tier 1	12.0%
Total	13.5%
Supplementary Leverage	6.1%

Standardized Approach

Common Equity Tier 1	10.6%
Tier 1	11.0%
Total	12.7%
Leverage	7.4%

Capital Return

- Declared \$83.4 million in common stock dividends and repurchased \$140.8 million of common stock in 2Q 2016
- Remaining capacity to repurchase up to \$275 million of common stock through June 2017 under our 2016 capital plan

As of June 30, 2016. Capital ratios are considered preliminary until the Form 10-Q is filed with the Securities and Exchange Commission.

Appendix



NORTHERN TRUST

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 these financial measures for comparative purposes.

(\$ In Millions)	Three Months Ended								
	June 30, 2016			March 31, 2016			June 30, 2015		
	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE	Reported	FTE Adj.	FTE
Net Interest Income									
Interest Income	\$ 344.7	\$ 6.9	\$ 351.6	\$ 352.0	\$ 6.2	\$ 358.2	\$ 288.8	\$ 6.4	\$ 295.2
Interest Expense	45.0	—	\$ 45.0	44.2	—	\$ 44.2	37.6	—	37.6
Net Interest Income	\$ 299.7	\$ 6.9	\$ 306.6	\$ 307.8	\$ 6.2	\$ 314.0	\$ 251.2	\$ 6.4	\$ 257.6
Net Interest Margin	1.13%		1.16%	1.18%		1.21%	0.97%		1.00%
Total Revenue	\$ 1,316.7	\$ 6.9	\$ 1,323.6	\$ 1,190.0	\$ 6.2	\$ 1,196.2	\$ 1,255.9	\$ 6.4	\$ 1,262.3
Pre-tax Margin	30.0%		30.3%	30.2%		30.6%	32.8%		33.1%

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
Second Quarter 2016 earnings press release, which is available at:*

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