

Northern Trust Corporation

Third Quarter 2016 Quarterly Earnings Review

October 19, 2016



NORTHERN TRUST

EXECUTIVE SUMMARY

- Net income of \$257.6 million, earnings per common share of \$1.08
- Return on average common equity of 11.7%
- Assets under custody increased 13% year-over-year and 6% sequentially
- Assets under management increased 7% year-over-year and 4% sequentially
- The third quarter included:
 - \$5.4 million loss associated with our loan and lease portfolio
 - \$3.5 million charge relating to the settlement of certain securities lending litigation

SUMMARY RESULTS & KEY METRICS

\$ in millions (except EPS and as noted)

| | 3Q 2016 | % Change Vs. | |
|--|------------------|--------------|----------------------|
| | | 3Q 2015 | 2Q 2016 ⁴ |
| Revenue (FTE ^{1,2}) | \$1,220.7 | +5% | -8% |
| Noninterest Expense | 843.0 | +4% | -9% |
| Provision for Credit Losses | (3.0) | -70% | - |
| Net Income | \$257.6 | +10% | -2% |
| Earnings per Share | \$1.08 | +13% | -2% |
| Return on Equity ³ | 11.7% | 10.9% | 12.3% |
| Assets under Custody (<i>in billions</i>) | \$6,707 | +13% | +6% |
| Global Custody Assets (<i>in billions</i>) | \$3,953 | +15% | +7% |
| Assets under Management (<i>in billions</i>) | \$946 | +7% | +4% |

- The prior quarter included the following gain and charges:

- Pre-tax gain of \$118.2 million on the sale of 1.1 million class B Visa shares
- Pre-tax charge of \$46.5 million charge in connection with certain securities lending related litigation
- Pre-tax loss of \$21.6 million associated with our loan and lease portfolio
- Pre-tax charge of \$18.6 million related to contractual modifications associated with existing C&IS asset servicing clients
- Pre-tax charge of \$17.5 million related to severance and personnel related costs

- Excluding the prior quarter gain and charges:

- Revenues increased 5% year-over-year and decreased 1% sequentially
- Expenses increased 4% year-over-year and were flat sequentially
- Net income increased 10% year-over-year and 1% 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

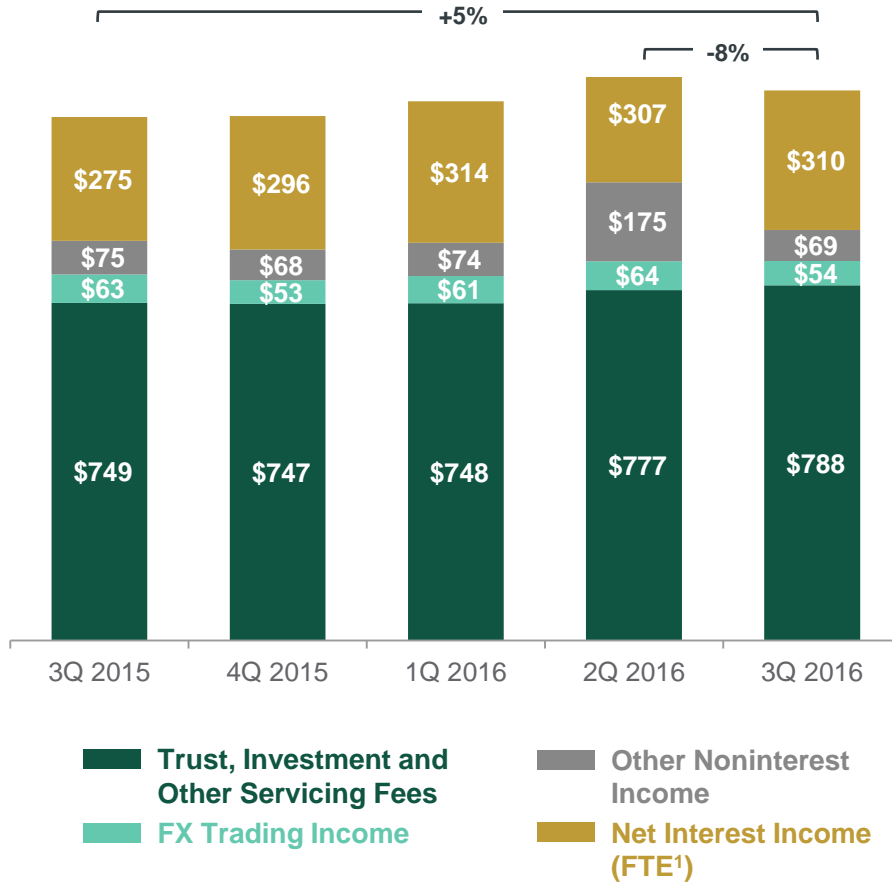
³ Actual numbers for all periods, not % change.

⁴ Q2 2016 results have been adjusted to reflect the early adoption of ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." See page 12 for additional details related to the adjustment.

TOTAL REVENUE

\$ in millions

Total Revenue (FTE¹)



- Trust, Investment & Other Servicing Fees were up 5% year-over-year and 1% sequentially
- Foreign Exchange Trading Income decreased 15% year-over-year and 17% sequentially
- Other Noninterest Income, adjusted for the gain in the prior quarter, was down 8% year-over-year and 10% sequentially
- Net Interest Income (FTE¹), adjusted for the charges in the prior quarter, was up 13% year-over-year and up slightly 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

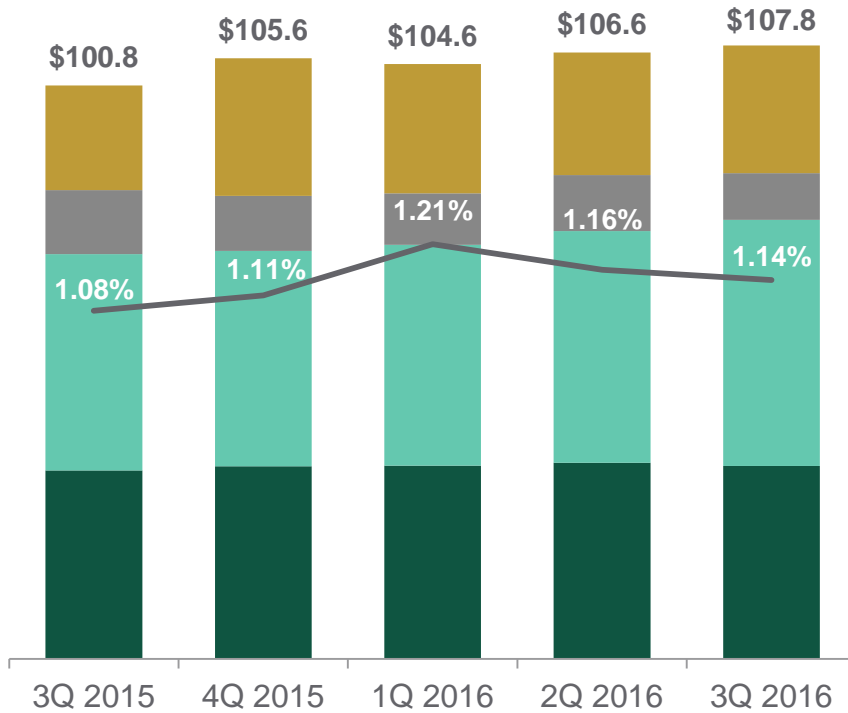
\$ in millions (except as noted)

| Trust, Investment & Other Servicing Fees | 3Q 2016 | % Change Vs. | |
|---|----------------|--------------|------------|
| | | 3Q 2015 | 2Q 2016 |
| Custody & Fund Administration | \$299.4 | +2% | +2% |
| Investment Management | 94.4 | +14% | - |
| Securities Lending | 23.1 | +17% | -14% |
| Other | 33.9 | +1% | +4% |
| <i>Total Corporate & Institutional Services</i> | \$450.8 | +5% | +1% |
| Central | \$135.6 | +7% | +4% |
| East | 85.1 | +4% | +1% |
| West | 68.0 | +2% | +1% |
| Global Family Office | 48.8 | +12% | +2% |
| <i>Total Wealth Management</i> | \$337.5 | +6% | +2% |
| <u>Client Assets (in billions):</u> | | | |
| C&IS AUC | \$6,174 | +13% | +6% |
| Global Custody Assets | \$3,953 | +15% | +7% |
| C&IS AUM | \$704 | +6% | +5% |
| Securities Lending Collateral | \$114 | -7% | +5% |
| Wealth Management AUC | \$533 | +8% | +4% |
| Wealth Management AUM | \$242 | +8% | +4% |

- C&IS Trust, Investment & Other Servicing Fees were up 5% year-over-year and 1% sequentially
 - Custody & Fund Administration fee growth year-over-year was primarily driven by new business, partially offset by the unfavorable impact of movements in foreign exchange rates and equity markets
 - Investment Management fees reflect lower money market mutual fund fee waivers
 - Securities Lending fees increased 17% year-over-year primarily reflecting higher spreads; Securities Lending decreased 14% sequentially primarily reflecting lower spreads in the current quarter due to the international dividend season that occurred in the prior quarter
- Wealth Management Trust, Investment & Other Servicing Fees were up 6% year-over-year and 2% sequentially
 - Year-over-year, the increase was primarily attributable to lower money market mutual fund fee waivers and favorable equity markets

NET INTEREST INCOME

Average Earning Assets (\$ in billions)



| | 3Q 2015 | 4Q 2015 | 1Q 2016 | 2Q 2016 | 3Q 2016 |
|-------------------------------------|---------|---------|---------|---------|---------|
| NII (FTE ¹) in millions | \$275.0 | \$296.0 | \$314.0 | \$306.6 | \$310.1 |



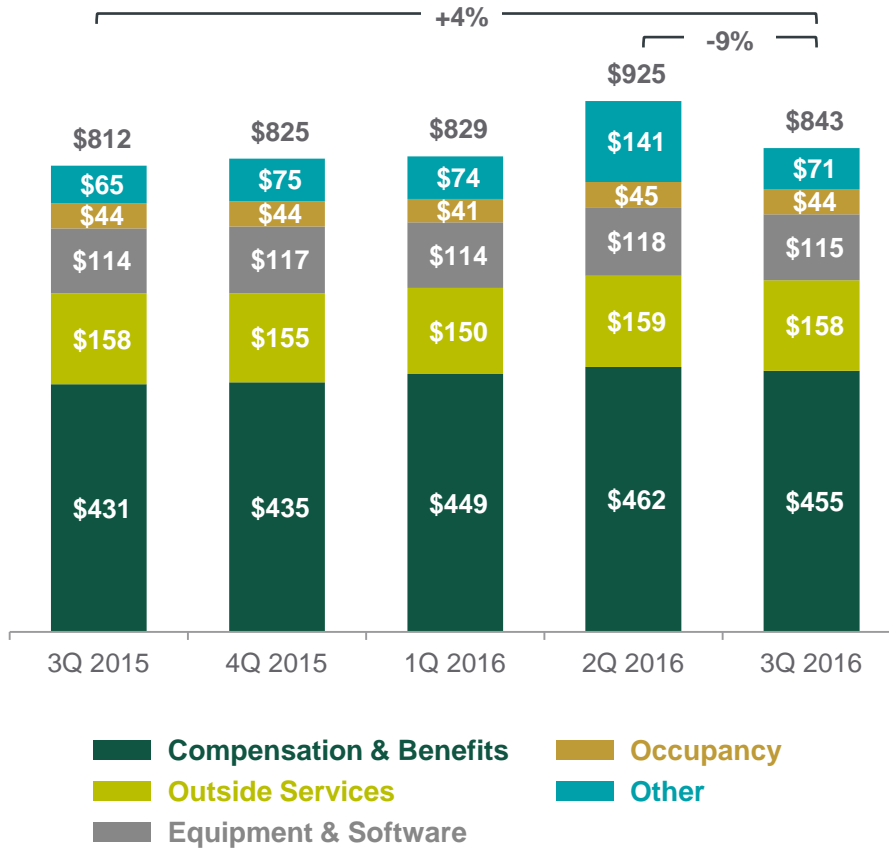
- Adjusted for lease impairments in the prior quarter, Net Interest Income (FTE¹) was up 13% year-over-year and up slightly sequentially and NIM was 1.14%
- Average Earning Assets were up 7% year-over-year and 1% sequentially
 - Average securities were up 14% year-over-year and 6% sequentially
- Excluding the impact of the prior quarter pre-tax charge, 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

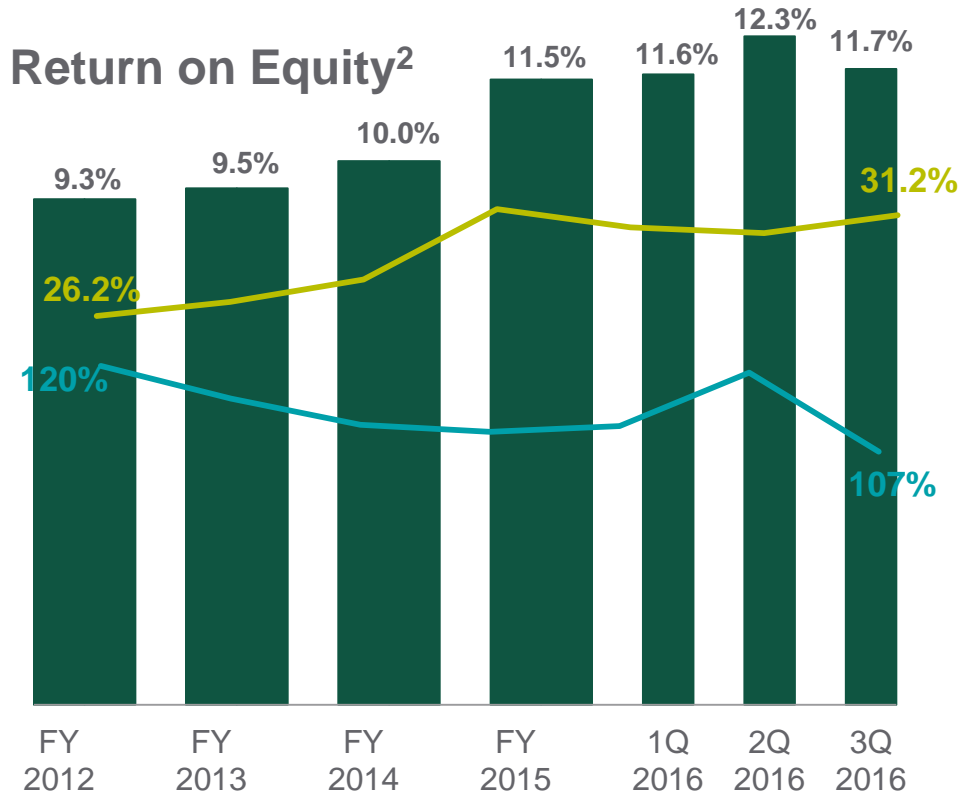
Total Noninterest Expense



- Adjusted for prior quarter severance-related charges, compensation expense increased 6% year-over-year and 1% sequentially
 - Higher salary expense attributable to staff growth and increased performance-based incentive compensation contributed to the year-over-year comparison
- Adjusted for prior quarter severance-related charges, employee benefit expense increased 5% year-over-year and 4% sequentially
- Outside Services expense was flat year-over-year and sequentially
- Equipment & Software expense was 1% higher year-over-year and down 3% sequentially
- Occupancy expense was 1% higher year-over-year and down 2% sequentially
- Adjusted for prior quarter charges, other operating expense was 9% higher year-over-year and down 3% sequentially

Categories may not sum due to rounding.

PROFITABILITY AND RETURNS



- We remain focused on sustainably improving profitability and returns
- Ratio of expenses to trust & investment fees continued to improve in the current quarter
- Return on equity was 11.7%, which is within our target range of 10%-15%

— Noninterest Expense as a % of Trust & Investment Fees
 — Pre-tax Margin¹

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.

² Q1 and Q2 2016 results have been adjusted to reflect the early adoption of ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." See page 12 for additional details related to the adjustment.

CAPITAL

Northern Trust Corporation Capital Ratios

Advanced Approach

| | |
|------------------------|-------|
| Common Equity Tier 1 | 11.8% |
| Tier 1 | 13.1% |
| Total | 14.5% |
| Supplementary Leverage | 6.6% |

Standardized Approach

| | |
|----------------------|-------|
| Common Equity Tier 1 | 11.2% |
| Tier 1 | 12.3% |
| Total | 14.0% |
| Leverage | 7.9% |

Capital Return

- Declared \$87.8 million in common stock dividends and repurchased \$64.9 million of common stock in 3Q 2016
- Remaining capacity to repurchase up to \$210 million of common stock through June 2017 under our 2016 capital plan

As of September 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 | | | | | | | | |
|----------------------------|--------------------|----------|------------|---------------|----------|------------|--------------------|----------|------------|
| | September 30, 2016 | | | June 30, 2016 | | | September 30, 2015 | | |
| | Reported | FTE Adj. | FTE | Reported | FTE Adj. | FTE | Reported | FTE Adj. | FTE |
| Net Interest Income | | | | | | | | | |
| Interest Income | \$ 349.2 | \$ 7.0 | \$ 356.2 | \$ 344.7 | \$ 6.9 | \$ 351.6 | \$ 305.7 | \$ 6.1 | \$ 311.8 |
| Interest Expense | 46.1 | — | 46.1 | 45.0 | — | 45.0 | 36.8 | — | 36.8 |
| Net Interest Income | \$ 303.1 | \$ 7.0 | \$ 310.1 | \$ 299.7 | \$ 6.9 | \$ 306.6 | \$ 268.9 | \$ 6.1 | \$ 275.0 |
| Net Interest Margin | 1.12% | | 1.14% | 1.13% | | 1.16% | 1.06% | | 1.08% |
| Total Revenue | \$ 1,213.7 | \$ 7.0 | \$ 1,220.7 | \$ 1,316.7 | \$ 6.9 | \$ 1,323.6 | \$ 1,155.5 | \$ 6.1 | \$ 1,161.6 |
| Pre-tax Margin | 30.8% | | 31.2% | 30.0% | | 30.3% | 30.6% | | 30.9% |

ADOPTION OF THE NEW ACCOUNTING STANDARD RELATED TO SHARE-BASED COMPENSATION

- In the third quarter of 2016, Northern Trust elected to early adopt ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,” effective January 1, 2016. The primary impact of the adoption was the recognition of excess tax benefits in the Corporation's provision for income taxes rather than additional paid-in capital in common equity for all periods in 2016.
- Adoption of the new standard resulted in the recognition of excess tax benefits in the Corporation's provision for income taxes rather than additional paid-in capital in common equity of \$6.4 million and \$12.3 million for the three and nine months ended September 30, 2016, respectively, and impacted the Corporation's previously reported quarterly results as follows:

| (\$ In Millions except per share data) | Q2 2016 | | Q1 2016 | |
|--|-------------|-------------|-------------|-------------|
| | As Reported | As Adjusted | As Reported | As Adjusted |
| Provision for Income Taxes | \$ 134.0 | \$ 131.7 | \$ 117.4 | \$ 113.8 |
| Net Income | 260.7 | 263.0 | 241.8 | 245.4 |
| Earnings Allocated to Participating Securities | 4.7 | 4.8 | 4.1 | 4.1 |
| Net Income Applicable to Common Stock | 254.9 | 257.2 | 235.9 | 239.5 |
| Effective Tax Rate | 33.9% | 33.4% | 32.7% | 31.7% |
| Basic Earnings per Share | \$ 1.10 | \$ 1.11 | \$ 1.01 | \$ 1.03 |
| Diluted Earnings per Share | 1.09 | 1.10 | 1.01 | 1.03 |
| Diluted Weighted Average Shares Outstanding (000s) | 229,197 | 229,280 | 229,980 | 229,798 |
| Return on Average Common Equity | 12.20% | 12.30% | 11.43% | 11.60% |
| Return on Average Assets | 0.91% | 0.92% | 0.86% | 0.87% |

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

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